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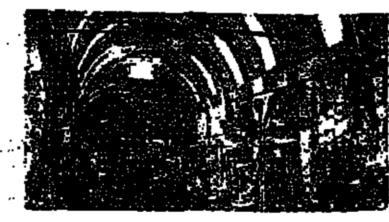
Weekend FT
Inside section II

News from the New Year – FT writers on what is happening in 1994

Bread – the rising food fashion of 1994
Page VI



Travel – where it's hot and where it's not
Page VII

FINANCIAL TIMES

Europe's Business Newspaper — NEW YEAR JANUARY 1/JANUARY 2/JANUARY 3 1994 — D8523A

US operator to be second force in UK satellite TV

Tele-Communications, largest US cable television operator, is to enter the UK cable and satellite market by merging its European channels with British media group Flextech. The deal will make the enlarged company the largest cable and satellite programmer in the UK after British Sky Broadcasting. Page 22; A change of channel for Flextech, Page 8

US adviser backed Banesto's president: The Bank of Spain dismissed the board of Banco Español de Credito less than a day after its corporate finance adviser, US bank J.P. Morgan, expressed confidence in Banesto's president, Mario Conde. Page 22

Waigel predicts more cuts: German finance minister Theo Waigel expects the country's budget deficit to dip below 3 per cent of gross domestic product by 1995, but says public spending cuts will have to continue. Page 2

Olivetti, Italian computers group, is negotiating to cut its operations in Germany with the possible sale of part of its Triumph Adler office products subsidiary. Page 9

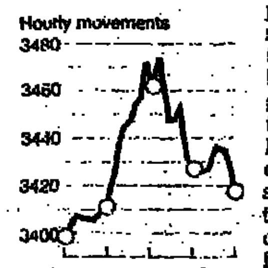
Closure fear hits Euro Disney shares: Shares in struggling leisure group Euro Disney fell to FFr30.40 ($5.20) from FFr33.00 on Thursday after Michael Eisner, chairman of Walt Disney, its US parent company, confirmed that the EuroDisneyland theme park may close unless Euro Disney is recapitalised. Page 9

Fresh floods feared Flooding across large parts of western Europe could worsen in some regions this weekend. Page 2

Lloyd's boosted by corporate members: Lloyd's of London has attracted more than £900m ($1.33bn) from corporate investors taking advantage of the first chance in the insurance market's 305-year history to be protected by limited liability. Page 5

Footsie rises 20 per cent on year

FT-SE 100 Index
Hourly movements



Source: Reuters

The FT-SE 100 index gained more than 16 points on the London stock market in early trading yesterday, backed by a buy programme from one of the UK securities houses. But the day's peak of 3,445.3 was 35 points short of the year's trading high reached on Thursday. Yesterday's final reading, taken at 12.30pm, showed the Footsie at 3,418.4, down 10.4. The year's closing high of 3,462 was recorded on Wednesday. Over the year, the Footsie has risen by 20 per cent, or 571.9 points, driven by falling interest rates and growing confidence in economic recovery. London stocks, Page 13; Markets, Weekend II

N Korea nuclear talks make progress: The US and North Korea made substantial progress in negotiations to open North Korea's nuclear facilities to inspection by the International Atomic Energy Agency, the US state department said. Page 3

China snubs Britain: President Jiang Zemin of China sent new year greetings to the country's friends, but excluded Britain, saying its "wrong stand" had "broken" negotiations on the future of Hong Kong. Page 3

$1bn heroin haul: A 258kg haul of heroin from Thailand with an estimated value of nearly $1bn was seized in Lagos.

Strikes hit Belgrade: Belgrade was hit by the biggest wave of industrial unrest in nearly three years of wartime conditions in the former Yugoslavia, despite a government deal with striking miners. Page 2

Rothmans' Asia plan thwarted: Rothmans International's plan to merge its tobacco operations in Hong Kong, Singapore and Malaysia was rejected by shareholders in the Malaysian company. Page 9

Smoke-free to Australia and New Zealand: British Airways is to ban smoking for a trial period on flights between the UK and Australia and New Zealand. The airline's domestic and short-haul European flights are already non-smoking.

STOCK MARKET INDICES		
FT-SE 100	3,418.4	(-10.4)
Yield	3.44	
FT-SE Eurotrack 100	1,473.36	(-2.48)
FT-A All-Share	1,682.17	(-0.2%)
Nikkei	closed	
New York: lunchtime		
Dow Jones Ind Ave	3,784.83	(+8.95)
S&P Composite	469.99	(+1.35)
US LUNCHTIME RATES		
Federal Funds	3%	
3-mo Treas Bills: Yld	3.059%	
Long Bond	98⅔	
Yield	6.341%	
LONDON MONEY		
3-mo Interbank	5 7/16%	(5 7/16%)
Liffe long gilt future:	Mar 120⅞	(same)
NORTH SEA OIL (Argus)		
Brent 15-day (Feb)	$13.255	(13.32)
Gold		
New York Comex (Feb)	$391.9	(391.8)
London	$390.75	(390.5)

STERLING		
New York lunchtime:		
$	1.4775	
London:		
$	1.4795	(1.4768)
DM	2.5692	(2.5602)
FFr	8.7357	(8.6966)
SFr	2.1971	(2.1849)
Y	165.12	(165.167)
£ Index	81.8	(81.6)
DOLLAR		
New York lunchtime:		
DM	1.73925	
FFr	5.915	
SFr	1.4898	
Y	111.85	
London:		
DM	1.7365	(1.7337)
FFr	5.9045	(5.889)
SFr	1.486	(1.4795)
Y	111.805	(111.845)
$ Index	67.7	(67.8)
Tokyo Y closed		

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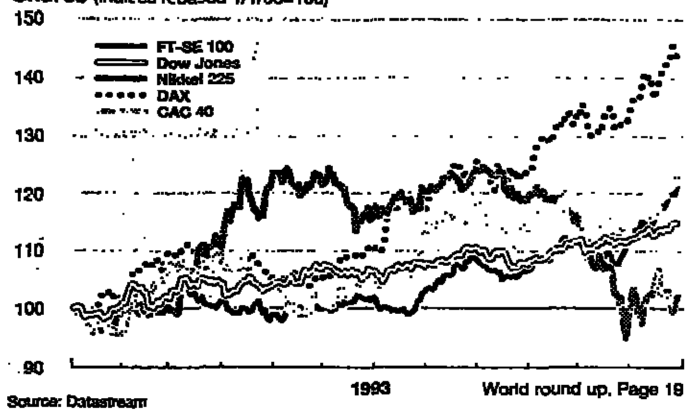
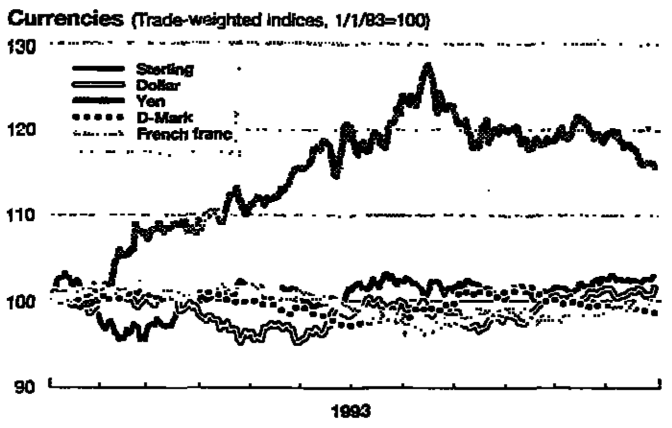
Where the grass was greener: the world's five biggest markets in 1993

Shares (Indices rebased 1/1/93=100)

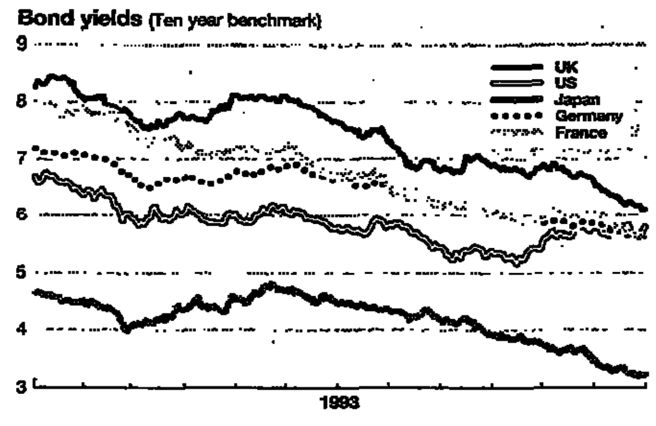


Source: Datastream — World round up, Page 18

Currencies (Trade-weighted indices, 1/1/93=100)



Bond yields (Ten year benchmark)



Target rate of return for rail network body eased

Compromise with Treasury aimed at spurring interest by operators

By Roland Rudd

The UK government has reduced the rate of return it wants from its investment in Railtrack, which will run the country's rail infrastructure from April. The move is intended to boost interest among potential private rail operators.

After heavy lobbying from the Department of Transport, the Treasury has agreed to set Railtrack's initial rate of return at 5 per cent in 1994-95, rising by 1 percentage point a year until it reaches 8 per cent.

Railtrack had argued that a lower rate of return would enable it to set lower charges. This would encourage more private operators and management buy-outs to bid for franchises under the government's rail privatisation initiative.

The Treasury previously insisted on an 8 per cent rate of return from its investment.

Its decision to compromise on the issue of the rate of return is seen in Whitehall as a reflection of the government's determination to ensure that rail privatisation succeeds.

Mr Bob Horton, Railtrack's chairman, had argued strongly that he should have greater freedom from the financial limits that apply to nationalised industries.

The Department of Transport, which has been keen for Railtrack to announce its pricing structure as soon as possible, is confident that the company will be able to unveil its pricing by the middle of this month.

The Treasury, however, has refused to accept a downward revaluation of Railtrack's assets which would enable the company to set even lower prices for the use of its track.

The Treasury believes that on a replacement cost basis the track is worth about £7bn. It also argues that higher prices for private operators to use railway lines would be offset by government subsidies.

Possible private sector train operators have warned that if charges are too high they will be unable to offer a competitive service. Many fear that subsidies could be clawed back in future by the Treasury.

The transport department was also sympathetic to the view that some of Railtrack's lines are so dilapidated that they represent a liability rather than an asset.

Nonetheless, the compromise over Railtrack's rate of return is worth hundreds of millions of pounds. On a £7bn asset base, Railtrack would only have to earn £350m on a 5 per cent rate of return compared with £560m on 8 per cent.

Some of the potential private rail operators yesterday welcomed the compromise over Railtrack's rate of return, although they were concerned that the eventual 8 per cent rate required could push up fares over the next four years.

Lex, Page 22

EEA links 17 nations in world's largest free trade zone

By David Gardner in Brussels

The European Economic Area, the world's largest free trade zone, comprising 17 countries and 372m people, starts what could be a short life today, a year behind schedule.

The EEA treaty extends the European Union's single market to five of the seven members of the more loosely-grouped European Free Trade Association – Austria, Finland, Norway, Sweden and Iceland.

All of these countries except Iceland are deep in negotiations with the 12 on full membership of the EU by January 1995, raising questions about the long-term value of the EEA.

By most criteria the EEA is a bigger free trade zone, and a much bigger force in world trade, than the North American Free Trade Agreement created between the US, Canada and Mexico, which also comes into force today.

Efta figures for 1992 give combined EEA output at $7,501bn, (£5,068bn) against a combined gross domestic product of $6,770bn for Nafta countries. The EEA, creating a market from the Arctic to the Mediterranean, accounts for more than two-fifths of world trade.

In 1992, the EEA nations logged exports of $1,616bn ($3,878 per capita) against imports of $1,680bn. The three Nafta partners by comparison had exports of $624bn ($1,683 a head) against imports of $715bn, according to Efta.

Unlike Nafta, moreover, the EEA – bound by a 1,000-page treaty with 12,000 pages covering more than 1,400 EU laws appended to it – extends beyond unfettered trade in goods to include most services and the creation of a single labour market. In particular, the "single

Continued on Page 22

Rabin places blame on Arafat for pull-out delay

By David Horovitz in Jerusalem

Mr Yitzhak Rabin, Israel's prime minister, expressed growing frustration yesterday with Mr Yassir Arafat, intimating that the Palestine Liberation Organisation chairman was to blame for holding up Israel's troop withdrawal from the Gaza Strip and Jericho areas.

Mr Rabin said he had just received a faxed message from Mr Arafat which ignored the latest Israeli-PLO formula for Palestinian autonomy. Mr Arafat's response, he said, was "far from anything that was discussed and agreed" by Israeli and PLO negotiators in Cairo earlier this week.

Mr Shimon Peres, Israeli foreign minister, said on Wednesday that the two sides had reached agreement on key issues including the size of the Jericho area, joint Israeli-PLO border controls, and sole Israeli responsibility for security around the perimeters of the Palestinian autonomous areas.

But aides to Mr Arafat – who yesterday returned to his Tunis headquarters after visiting Cairo and Amman – claimed that there was no such joint agreement. The purported text of the deal, as published in the Israeli press on Thursday, was little more than an Israeli position paper, they maintained. Mr Yassir Abed Rabbo, a top adviser to Mr Arafat, described Mr Peres' talk of significant progress as "complete exaggeration. It is an attempt to bluff."

Such claims, said Mr Rabin yesterday, were "total nonsense." Israel had been ready to respect whatever was agreed at the Cairo talks, and he was certainly not prepared to allow the PLO to use the Cairo document as "a new starting line for negotiations".

While acknowledging that time was limited, Mr Rabin insisted that he would not be forced into signing a flawed agreement. There would be no concessions that departed from the framework of the declaration of principles signed in Washington on September 13.

Mr Nabil Sha'ath, a PLO negotiator, said late on Thursday that he and his opposite number, Major-General Amnon Shahak, the Israeli deputy chief of staff, would next week begin intensive talks at the Egyptian beach resort of Taba, to try again to resolve the issues.

"We will just spend the next two weeks working day and night," he added.

But Mr Rabin refused to confirm that new talks were scheduled. Rather, he said, he would decide after the weekend how to proceed. There were no longer any sacred dates by which agreements had to be reached.

Independent's board is split over options for new fundi

By Raymond Snoddy

The company which owns Britain's Independent and Independent on Sunday newspapers yesterday admitted publicly for the first time that its board is split over future funding.

Mr Ian Hay Davison, chairman of Newspaper Publishing, said in a letter to staff that there were two competing options for bringing in new equity capital. The company lost £486,000 before tax in the year to September, and both of its titles have lost significant circulation in the past six months.

Before Christmas, the Independent – which began publication in 1986 – was struggling with a daily circulation of just over 300,000 and may have sunk further since. Shareholders together accounting for about ...hs in of the unquoted company ...d plan to propose an additi... trade partner.

Those shareholders are the Spanish newspaper El Pais and Italy's La Repubblica, backed by three directors, Mr Andreas Whittam Smith, Mr Matthew Symonds and Mr Adrian O'Neill,

Continued on Page 22

Imro plans to tighten checks on UK investment managers

By Alison Smith

Britain's system for checking people who work in investment management is about to be tightened through new arrangements for registration of individuals.

The board of Imro, the self-regulatory organisation for the industry, has approved provisional plans to create such a register. At present, Imro registers only firms of financial advisers and fund managers, and so does not necessarily know who works for any given firm.

Imro members will be invited to comment on the proposals, due to be published early this month.

Many people who would have to register as individuals will already have provided detailed information through questionnaires. They would not have to repeat that procedure, but would sign a form putting them in a new and direct contractual relationship with the regulator. Imro estimates that 15,000 to 20,000 individuals could be involved.

Mr Phillip Thorpe, Imro's chief executive, said the proposal had two targets in particular:

- People who had worked for Imro-member firms which had been disciplined and were subsequently employed by another firm;
- Individuals entering investment management from another area of financial services, perhaps covered by another regulator.

The Securities and Futures Authority already operates a system of individual registration.

While work began on the plans two to three months ago, the weakness of the current arrangements has been highlighted recently.

Noble Lowndes, the financial adviser, was fined £740,000 by Imro, because four of its personal financial services consultants had given clients unsuitable investment advice. Although none of the four is still with Noble Lowndes, Imro has no way of knowing whether any of them is still working in the industry.

Imro would issue guidance, but the onus would be on each firm to decide which individuals working for it needed to be registered. The requirement would be intended to apply wherever there was an element of investor protection.

CONTENTS

Austria Sch30; Bahrain Din1.250; Bermuda $1.50; Belgium BFr65; China Fen 14.0; Canada C$1.40; Cyprus C£1.10; Czech Rep CZK50; Denmark DKr16.00; ... Hong Kong HK$18; ... Italy L3000; Japan Y500; Jordan JD1.50; Korea Won 3000; Kuwait Fils.625; Lebanon $US1.50; ... Nigeria ...; Philippines Pso 50; Poland Zl 32,000; Portugal Esc225; Qatar QR13.00; S.Arabia Rls11.00; Singapore S$4.30; ... Spain Pts225; ... Tunisia Din1.500; Turkey L10000; UAE Dh12.00; USA $1.25 (Alaska & Hawaii $1.75)

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Alert as fresh European floods feared

Some EU countries have inadequate insurance cover, reports **Our Foreign Staff**

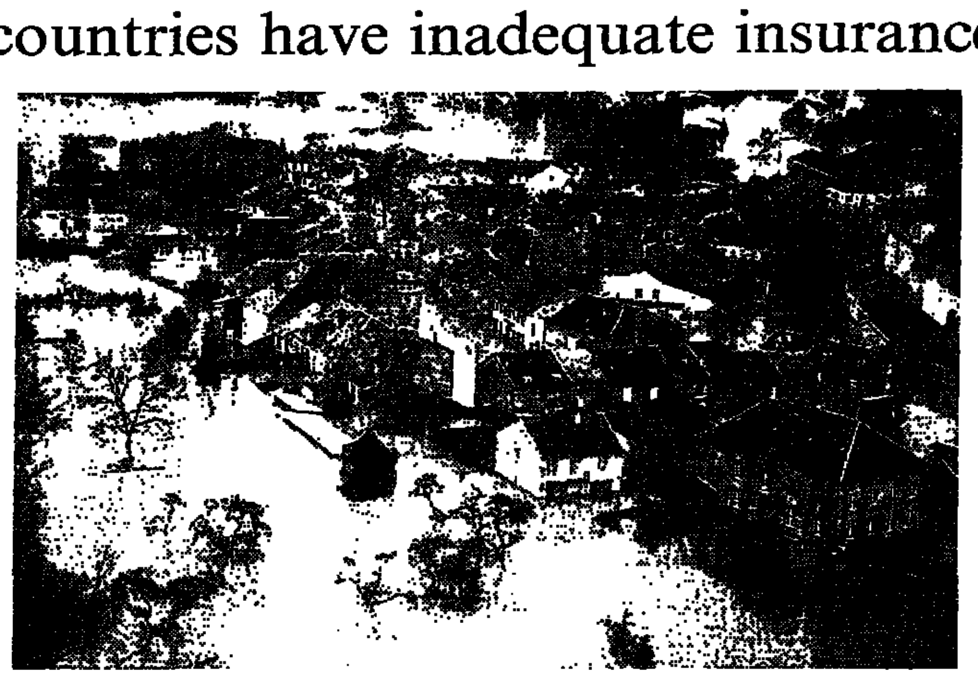
Flooding across large parts of western Europe this Christmas – which, it was feared, would worsen in some regions this weekend – has already caused hundreds of millions of pounds in damage and has highlighted the inadequacy of insurance cover in some countries.

Southern German cities could be hit by another deluge only days after water levels, the highest since the turn of the century, subsided. Officials in Cologne and Hanover said the Rhine could rise as fast as 2cm to 4cm per second, particularly if the unseasonably mild weather continues.

In south-east England the National Rivers Authority issued more flood warnings yesterday. Red alerts – warnings that flooding was imminent – were issued for the River Ouse and River Uck in East Sussex, between Isfield and Lewes and between Isfield and Uckfield. In Kent, red alerts were issued for the River Teise and Lesser Teise, and on the River Beult.

In France, during one of the wettest winters the country has ever experienced, the worst affected area is the Val-d'Oise around Pontoise, where hundreds of people have already been evacuated from their homes. But the river Oise is still rising. The rivers Seine and Marne are also expected to rise further this weekend. The roads running alongside the Seine in central Paris yesterday were still closed to motorists.

There was also concern yesterday about north-eastern France, particularly the Vosges region, where there has already been heavy snow, and Alsace and Lorraine on the German border.



UNDER WATER: aerial view of Warcq in northern France (top left); Cologne in Germany (right); a woman rescued by boat in Bollene in southern France

At the height of the flooding in the southern Dutch province of Limburg a fifth of the province was under water. Further flooding is thought possible during the New Year weekend, and troops are standing by to evacuate people from their homes if necessary.

Flood damage in the Netherlands is estimated at Fl 300m (£105m) – and none of it is insured. Dutch insurance companies have never offered water damage insurance to either their private or their corporate customers, and the December floods have revived calls for Dutch insurers to arrange a pooled form of insurance against flood damage.

It was another natural disaster in Limburg – a freak earthquake in April 1992 – that first focused attention on the lack of insurance cover in the Netherlands against two natural calamities, flooding and earthquakes. Insurance against damages caused by heavy winds is, however, a standard part of Dutch insurance policies.

After the 1992 earthquake, Dutch insurers put forward proposals for forming an insurance pool of Fl 50m for calamity damage, including damage caused by river water flooding. However, their willingness to provide cover depends on whether the government agrees to provide tax incentives. The insurance industry also wants the government to contribute money to the damages pool. The government has yet to respond, but the latest floods have increased pressure for action.

The insurance industry is adamant that it cannot insure people against sea water damage. The Netherlands' densely populated coastal region, with its three main cities – Amsterdam, The Hague and Rotterdam – lies below sea level, and any catastrophe caused by the bursting of sea defences would cost far more than insurance companies could ever pay, according to the Netherlands Insurance Association.

Belgium is not much better placed, while most German states, with the exception of Baden-Württemberg, have not made insurance against flooding a law. Insurance companies there have been reluctant to cover such accidents.

Against the background of increasing personal losses, the Bonn Finance Ministry has unveiled measures aimed at increasing tax allowances, or providing direct financial assistance, for those whose property has been damaged.

These include the right to claim between 30 per cent and 50 per cent of renovation costs. Compensation claims up to a certain level can be deducted from profits or offset against company expenses. Employees in agriculture will be exempt from at least part of their tax. Claims can also be placed on home improvement grants spread over five years.

The ministry has not yet issued any estimate for the cost of partially compensating people, largely because claimants have to assess the damage, and the floods have yet to end.

The UK and France seemed best prepared for the eventuality. The Association of British Insurers said: "We do not know how much the flood damage will cost. It is too early to say. But we feel it is unlikely to be enormous. It has not been associated with freezing weather. This is where the huge costs usually occur."

The French insurance industry is steeling itself for a bill of as much as FFr3bn (£344m) to repair the damage there this Christmas. The December downpour is the latest in a string of natural disasters to have hit France in recent months, starting with the Camargue floods in October and heavy rains in Corsica during November. The insurance industry, which was also inundated with claims from farmers in southern France following the hailstorm in July, expects the final tally for 1993's freak weather conditions to reach at least FFr4.3bn.

However, the insurers are cushioned, thanks to legislation implemented after the 1982 floods which created a central fund they can draw on after natural disasters. The industry ploughs around FFr4bn a year into this fund, which has a healthy surplus.

By Ronald van de Krol in Amsterdam, Judy Dempsey in Berlin, Alice Rawsthorn in Paris and Stewart Dalby in London.

Slovaks mark a first year of misery

By Patrick Blum in Bratislava

As Slovaks prepared this week to celebrate their first year of independence they found little to cheer about in Bratislava, the capital, where revellers danced through the night 12 months ago.

The economy remains deeply in recession, inflation is above 25 per cent and unemployment is 14 per cent and rising. Political infighting threatens to bring down the government whose paper-thin parliamentary majority could be overturned at any time on any vote. Demands for autonomy by ethnic Hungarians, who represent around 12 per cent of the country's population, are raising fears of ethnic tensions and friction with Hungary, historic ruler of the Slovak lands.

According to a recent poll, 60 per cent of Slovaks would oppose breaking up the former Czechoslovak federation if they could vote today though, like their Czech neighbours, they were never asked to vote on independence. The split was engineered chiefly by Mr Vladimir Meciar, the Slovak prime minister, and by Mr Vaclav Klaus, his Czech counterpart. The latter seized on the opportunity for a quick divorce that would leave the Czech Republic free to pursue its own accelerated drive towards a free-market economy.

The only party to campaign unambiguously for Slovak independence at the June 1992 general election was the Slovak National party (SNS), but it won less than 10 per cent of the vote. Other parties mostly hoped to win greater economic and political autonomy within a reformed Czechoslovak federation, and none were prepared for the consequences of independence.

Democracy has suffered as a result in both countries, as evidenced by growing disillusionment with politicians in Slovakia and widespread cynicism in the Czech Republic over corruption among the business and political élite.

Dissatisfaction is greatest in Slovakia, where Mr Meciar's Movement for a Democratic Slovakia (HZDS) won 74 of the 150 parliamentary seats a year and a half ago, but now barely commands 16 per cent of support in opinion polls – the same as the left wing Party of the Democratic Left (SDL), successor to the former Communist party. But the SNS, the HZDS's partner in the recently formed coalition, is also faring badly with 14 parliamentary seats but only 7 per cent support in the polls.

The coalition, formed in November after months of haggling over government posts, promised political stability but it is already falling apart at the seams. The 1994 budget only just scraped through parliament in December with a margin of three votes, two of which were cast in error by members of the opposition, while some coalition deputies abstained. In theory, the 66 seats of the HZDS and the 14 seats of the SNS assure the government of a clear majority but the HZDS has since lost another deputy, its ninth defection since the start of the year, and the SNS has split into two factions.

This makes early elections this year increasingly likely, unless Mr Meciar agrees to demands by president Michal Kovac for a broad coalition – a solution made more difficult by dislike of Mr Meciar by most of his rivals. Mr Meciar will resist any moves to replace him and only parliament can call elections. "A solution [to the crisis] is in the hands of parliament and the HZDS," says a senior official from the president's office.

'Waigel foresees more German spending cuts

. Judy Dempsey in Berlin and David Waller in Frankfurt

Mr Theo Waigel, Germany's finance minister, expects the budget deficit to dip below 3 per cent of gross domestic product by 1995, but warns public spending cuts will have to continue.

In an article in Handelsblatt, the German economics daily, Mr Waigel yesterday said decreasing the deficit, which accounts for 4 per cent of GDP, or DM70bn (£27.30bn), would mean limiting growth in public expenditure to 3 per cent of GDP.

In line with estimates by the Bundesbank and several economic institutes, the finance minister yesterday said GDP would grow at between 0.5 and 1.0 per cent throughout 1994. It contracted by 2 per cent in 1993.

The high budget deficit has been fuelled by the costs of unification, and the government's policy of subsidising consumption in eastern Germany at the expense of creating new jobs.

Mr Helmut Kohl, the Chancellor, said this week that the high level of financial transfers to eastern Germany would continue, even though economists believe it will demand even greater public expenditure cuts if Mr Waigel's timetable for reducing the budget deficit is to be met.

Mr Hans Tietmeyer, the Bundesbank president, yesterday reinforced the message of further spending cuts ahead.

Cuts in social security expenditure, however painful, would have to be part of future wages and fiscal policy, he said, while further tax increases should be ruled out.

Mr Tietmeyer said that only a distinct improvement in these policy areas would allow the Bundesbank latitude for further relaxation of German monetary policy.

Wave of strikes hits Belgrade

By Laura Silber in Belgrade

Belgrade was yesterday hit by the biggest wave of industrial unrest in nearly three years of war, despite a government deal with striking miners.

Much of the country was blacked out by power cuts after the miners' strike. Rail and municipal transport halted as workers protested for higher wages. And city undertakers, disgruntled with their low wages, also threatened to take to the streets.

The monthly inflation rate in December hit 1m per cent, making most wages worthless by the time they are paid. More than 1m workers have been laid off and many factories have shut down.

Leaders of the miners from Kolubara basin yesterday reached an agreement with management and government representatives to pay back-dated wages, said Tanjug, the Serbian news agency. Strike leaders had also demanded that the government admit it was exporting power to neighbouring states. Tanjug said electricity was due to be restored throughout the country last night.

As Serbs rushed to do their last-minute shopping before new year holidays, state shops remained empty but markets were piled high with produce from the countryside and black-market goods, mostly from Hungary. Suckling pigs changed hands for D-Marks, which have virtually replaced the national currency, the dinar.

As chaos gripped Kalenic Pijaca – a main open-air market where people queued up to buy newspapers, wine from barrels, or raso, a liquid antidote for hangovers made from pickled cabbage – a local radio journalist appealed to citizens to refrain from shooting their guns – a Serbian new year tradition – in order to keep their strength for what promised to be a difficult 1994.

Fifteen people were reported wounded by shelling in Bosnia's capital, Sarajevo, yesterday, as a top UN official warned that Bosnia's citizens were facing a further year of misery, writes Laura Silber.

Mr Tony Land, of the UN High Commissioner for Refugees, said: "There's no logistic, no humanitarian reason why anyone in this country should be hungry or cold. It is completely political and military."

With little hope the war would end soon, he told reporters in Sarajevo it was significantly harder to supply the besieged capital than a year ago. Food was held up in areas held by Serbs and Croats "and people are hungry".

Bosnian radio reported a surge in fighting between Croat and government forces in the southern city of Mostar. President Franjo Tudjman of Croatia has said his forces will intervene if Moslem troops continue attacks.

Agreement on oil prices

Russia is ready to co-operate on stabilising oil prices and reached agreements at talks with Omani Oil Minister Said bin Ahmed al-Shanfari this week, first deputy fuel and energy minister Anatoly Fomin said yesterday, Reuter reports from Moscow.

He gave no indication of whether Russia planned any special effort to cut output or exports as a result of the talks.

Moscow reshuffle may streamline cabinet

By Leyla Boulton

Russian government ministers are spending the new year holiday in a state of nervous anticipation on the eve of a cabinet reshuffle and streamlining of government.

Mr Sergei Vasiliev, the radical economist who heads the government's centre for monitoring the progress of economic reforms, is one of the authors of a blueprint for a leaner cabinet, which argues that administrative reform is essential for more efficient decision-making in a country notorious for labyrinthine and corrupt bureaucracy.

Mr Vasiliev's blueprint foresees a cut in the number of deputy prime ministers from eight to either one or three, a 20 per cent cut in the number of bureaucrats, and the abolition of some ministries and government committees. But it is unclear whether reforms or reformers will come out on top after the changes, which are expected to take place by January 11, when the new parliament convenes.

Russia has seen too many administrative re-organisations - designed to replace unpopular figures or create new jobs for friends - for any administrative reform to be credible until it actually happens.

Reformists who were promoted to the rank of deputy prime minister after Mr Yegor Gaidar was removed as prime minister a year ago will be among those who revert to being simple ministers. This would not necessarily represent a blow to reformists, if the prime minister, Mr Victor Chernomyrdin, remained committed to sweeping economic reforms.

One appointment which will be watched for clues of the reform intentions of President Boris Yeltsin is the job of central bank governor, on which he will have the final decision.

The government newspaper, Rossiisskiye ... yesterday said that Mr Victor Gerashchenko would be staying. But his confirmation would trigger the resignation of Mr Boris Fyodorov, the finance minister, who has accused Mr Gerashchenko of sabotaging attempts at financial stabilisation.

Crackdown on hard currency

Russia today begins trying to enforce an ambitious ban on the use of hard currency cash for transactions in shops, hotels and restaurants and in other commercial transactions, writes Leyla Boulton. The ban, part of an attempt to bolster the rouble, will mean hundreds of hard-currency establishments in Moscow and elsewhere can accept only roubles, or credit cards.

Leyla Boulton reports from Perm, where doubts are growing about the virtues of free enterprise

Businesses slow to see benefit of Russian reforms

When Pharmacy No 24 in the industrial city of Perm began selling sexual devices instead of medicine, it reflected a disappointing void between the aims of Russian market reforms and their results so far. "Sexual desire is not an illness and a pharmacy is not a sex-shop," thundered a front-page article in the local evening newspaper.

That Pharmacy No 24 finds it more profitable to sell devices for sexual titillation than scarce, subsidised medicines is as much a sign of a half-reformed economy as a failure of the authorities to implement the local equivalent of the trades description act.

Not only are the local authorities and enterprise managers short of market skills and funds but the success of reforms depends to a large degree on whether appropriate policies are pursued in Moscow.

The enormous protest vote in Russia's parliamentary elections on December 12, spawned by the failure of reforms to deliver rapid benefits, was foreshadowed in Perm by a rising tide of doubts about the virtues of free enterprise.

"We were being somewhat romantic when we thought that privatising shops would quickly provide new services and competition, lower prices and improve standards of service," says Mr Yevgeny Sapiro, the deputy chief of the Perm regional administration, responsible for economic reform. "Unfortunately, despite the change in ownership, people's psychology is changing only very slowly."

A centre of heavy industry which is also rich in oil, gas and other natural resources, the region of Perm has made considerable progress with privatising the state-owned factories and shops.

But, apart from a wide range of expensive goods that have become available since prices and imports were liberalised two years ago, ordinary people have yet to see other benefits of reform. Inflation, now at 15 per cent a month, makes it difficult to start productive businesses; a widening gap between rich and poor is aggravated by the sight of young spivs, factory directors and corrupt officials making fortunes from trading while industry languishes. The authorities seem unable to implement their own rules.

Mr Victor Gorbunov, the official in charge of privatisation, says it is impossible to expect significant improvements in the performance of privatised enterprises when inflation rates remain so high and ineffective anti-monopoly legislation is failing to promote competition.

Although he says shares in more than a third of Perm's industrial enterprises have already been sold to the public as part of the nationwide privatisation programme, the central government has yet to create a secondary market enabling shares to be traded. The banking system can take weeks to transfer money from one Russian town to another, aggravating the debts accumulated between enterprises which continue to supply goods without demanding payment from each other.

The inflation which makes trading the only profitable activity at present marks reformers' chief dilemma: whether to opt instead for anti-inflation policies that would cut subsidies to unprofitable businesses but cause a big increase in unemployment.

Compounding the difficulties, foreign investment, which had been counted on initially to help overhaul the Russian economy, has been slow in coming, mainly because of the country's political and legal instability. Of the 100 joint ventures created so far, only a few represent an investment of capital and know-how in its ailing enterprises.

"You've got to be either crazy or very rich to invest in Russia now," says Mr Andrei Klimov, a local businessman.

Mr Vladimir Zotin, the local chairman of Democratic Russia, the anti-Communist movement incorporated into Russia's Choice, believes it was reformers' own mistakes that fuelled the backlash against reforms in the parliamentary elections.

Mr Zotin cites as an example Mr Gorbunov's decision to allow privatised enterprises in Perm to keep kindergartens on their balance-sheet instead of transferring them to the municipal authorities. The result: factories sold or leased the kindergarten premises to private businesses, while 5,000-6,000 children remain without kindergarten places.

"In a worsening situation it is very difficult to talk convincingly about the delights of the future," says Mr Ergash Narullayev, head of the Unity and Agreement party.

But for all the mistakes, Mr Narullayev believes economic reforms have produced at least one crucial political result. By creating a class of property-owners with vested interests in the changes, the rush to switch state-owned enterprises to private ownership without too much concern about the results, has removed the threat of attempts to return to the old state-planning system.

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China chills UK out of festive cheer

By Louise Lucas in Hong Kong

President Jiang Zemin of China last night heralded the new year with warm greetings to all China's friends – especially compatriots in Hong Kong, Macao and Taiwan – but stopped short of extending the cordial spirit to Britain. Its "wrong stand" had "broken" negotiations on the future of Hong Kong, he said in a speech on China Radio International.

Attacks on both Britain and Mr Chris Patten, governor of Hong Kong, intensified in the final days of 1993, suggesting the relationship would continue to deteriorate this year.

Mr Zhou Nan, director of China's Xinhua news agency, used his televised new year message to urge Hong Kong people to accelerate preparatory work for the formation of the new government which will take up the territory's reins in 1997. He said Britain's violation of all joint agreements aimed at ensuring a smooth transition to Chinese rule meant this was the only way to guarantee stability and prosperity in the colony.

However, the rhetoric has not hit the colony's vibrant markets. The stock market closed the year at an all-time high of 11,888.39.

Sino-British relations, already tense, worsened after Mr Patten introduced elements of his bill to extend democracy in the territory to the Legislative Council on December 15.

Reuter reports from Beijing: China, which in 1993 ran its first trade deficit in four years, is planning tough curbs on some imports, the official China Daily said yesterday. "China will adopt strict measures to regulate the importation of machinery and electronics products," the newspaper said, adding the new rules would take effect from today.

The report did not say how the rules would hit China's trade with the US. Washington has been trying to force Beijing to accept more imports since China's trade surplus with the US rose to some $23bn in 1993, from $18.3bn the previous year.

A security guard and a rescue worker help a relative after the latter had identified a victim of the gun and grenade attack on a Cape Town bar late on Thursday Picture: AP

Black gunmen killed four people and wounded five in an attack on a crowded Cape Town bar on Thursday night, the second such attack in the city in six months, Reuter reports from Cape Town.

Two men purporting to speak for separate black underground groups – the Azanian People's Liberation Army and the Azanian National Liberation Army – yesterday claimed responsibility for the attack. The authenticity of these calls could not be confirmed yesterday.

South African President F W de Klerk said the attack appeared to have been designed to undermine the transition of the country to majority rule. "There could be no justification for this barbaric deed," he said.

The Law and Order Ministry said claims would be thoroughly investigated. Police offered a R200,000 (£40,000) reward for information leading to the capture of the killers and set up barriers on all main roads out of Cape Town.

Three of the victims were young women shot at close range as they huddled in a corner of the bar, witnesses said. The fourth victim, a man, was cut down by gunfire as he tried to halt the carnage. Several of the dead and wounded were white, witnesses said.

The tactics used were similar to those adopted by black gunmen who killed 10 worshippers at St James's Church in Cape Town in July. More than 30 people were wounded and one later died. The gunmen are believed to be still at large.

Indian minister to stay

By Shiraz Sidhva in New Delhi

Mr P V Narasimha Rao, Indian prime minister, yesterday rejected the resignation of Mr Manmohan Singh, finance minister, ending a week of uncertainty about India's economic reform programme.

Mr Singh offered his resignation on December 24, after a parliamentary committee report had implicated the finance ministry in the Bombay financial scandal.

An official said the prime minister had decided not to accept the resignation after a parliamentary debate on Wednesday and Thursday. The opposition had vociferously demanded that Mr Singh's resignation be accepted but the prime minister decided the minister would defend himself and the role of the government in the scandal.

The spokesman said the prime minister had written to the finance minister saying that the government had set itself an enormous agenda which needed to be completed.

Mr Singh, considered a main architect of India's economic liberalisation, rebutted several charges by the parliamentary committee which investigated the Bombay scandal.

US, N Korea 'progress' on nuclear arms

By Jurek Martin, US Editor, in Washington

The US and North Korea are reported to have made substantial progress in negotiations to defuse tension over the latter's nuclear weapons programme.

Reflecting a sense of guarded optimism evident in Washington, a State Department spokesman said the US had "moved closer" to achieving its goal of opening the North's nuclear facilities to inspection by the International Atomic Energy Agency. He added that progress had also been made on the question of promoting a dialogue between the two Koreas on nuclear matters.

The North Korean state news agency quoted a foreign ministry official in Pyongyang as having said the facilities would be made available for limited inspection shortly, with full access under negotiation.

The official, who called fruit of the latest negotiations a "breakthrough", also said the US was willing to end its annual joint military exercises with South Korea, known as Team Spirit, as the North has long demanded, and to improve diplomatic relations.

The US has been seeking a resolution on several diplomatic fronts, including the most recent round of negotiations at the United Nations in New York and through the intercession of other Asian nations, including China and Russia, which were once North Korea's principal patrons.

Concern has risen most recently in the wake of a leaked US Central Intelligence Agency report believed to have concluded that the North may already have built one or two nuclear bombs.

White House and State Department officials have refused to confirm or deny this report. This week, a senior member of the administration said: "The basic fact is that we don't know for sure" whether North Korea had built a bomb or had the ability to deliver it.

In their diplomacy, US officials have resolutely refused to call the North Korean issue a "crisis", while conceding it is "urgent". This has prompted some criticism in Washington by those who believe the US should be taking a firmer line with the North.

The rising yen means pain for a supplier

Michiyo Nakamoto visits a silent factory that used to hum for Sanyo

Year-end is a quiet time for factories in the Japanese countryside as brightly polished machinery lies idle, awaiting the start of work in the new year.

But these days, the silence that surrounds the factory of Sanritsu Electric at Tokushima, on the southern island of Shikoku, is not limited to the holiday season.

Since October, the 170 employees of the factory have been forced to stay away, although they are still on the payroll and receive 90 per cent of their wages.

The factory, which has supplied Sanyo Electric with consumer electronic products for 26 years, was suddenly told in August that Sanyo would no longer be ordering products from Tokushima. Production of compact disc/radio/cassette players, which the Tokushima plant had supplied, was to move to Singapore.

Two months later, Sanritsu's Tokushima factory was out of orders.

Sanritsu's plight reflects the difficulties facing Japan's electronics manufacturers amid the yen's sharp appreciation last year.

Japanese electronics makers have been moving production overseas so as to take advantage of lower labour costs overseas but many of the larger companies have tried to avoid closing domestic factories by moving low-end products abroad and keeping the manufacture of higher value-added products in Japan.

Where this is not possible, Japanese corporate etiquette calls for consultations with the factory's labour unions and a plan to make gradual the pain of job losses.

Such consideration towards Sanritsu might have been expected, particularly from Sanyo, which has a 20 per cent stake in its supplier. Yet that does not seem to have happened at Tokushima. Sanyo w". not comment but the apparent suddenness and clumsiness with which Sanyo handled the closure suggest that the yen's rise had been so rapid and sharp that the company had no scope to devise a smoother disengagement.

"We were completely taken by surprise," says Mr Junichi Nakatsuma, chairman of the Sanritsu branch of the National Metal and Machinery Workers' Union.

But employees at Tokushima had known for some time that things were not what they used to be. In autumn 1992, Sanyo had warned Sanritsu that output would fall. Production of CD/radio/cassette recorders had been halved from 1,000 units a day at their peak to 500 by summer 1993. There was talk of restructuring and, last spring, the factory had to close for 40 days.

However, Sanyo had said earlier last year that it would order a new product from the factory in September, so "we thought work would be available," Mr Nakatsuma says.

Sanritsu employees see that Sanyo needs to lower its prices to stay competitive, which means moving production beyond Japan. "It will be a huge burden on Sanyo to continue production at Tokushima," says Mr Hiroaki Nakmura, head of the factory. Mr Nakatsuma agrees. With larger makers lowering prices, Sanyo has little choice, he says.

The union leader believes Sanyo decided to move production abroad once a competitor had begun to produce a new product – a multiple CD stacking player which Sanyo was also planning – in China.

But he still holds Sanyo responsible for the grim future Sanritsu employees face. "For 26 years, we have been a manufacturing plant for Sanyo, even though we are an independent company," Mr Nakatsuma says. "Everything we did had to be approved by Sanyo and it was difficult for a company partly owned by Sanyo to get work from another company. We were completely dependent on Sanyo."

Most of the equipment on Sanritsu's spartan factory floor has been leased from Sanyo and the signs on the walls proclaim Sanyo slogans.

In a small town such as Kawashima, site of the Sanritsu factory, there is little alternatives work. Many of the suppliers to large electronics, automotive and paper companies have already moved to deal with falling output, for instance through temporary closures.

Many of Sanritsu's employees at Tokushima have worked for the company for more than 20 years. "Closure of the factory is a matter of life and death for them and we don't feel Sanyo has taken enough responsibility in that respect," Mr Nakatsuma says.

The discord highlights the difficulties Japanese companies face in trying to cut the umbilical cord that ties them to their suppliers, particularly those in which they have an equity stake.

When they realised what was happening, Sanritsu's labour unions went into action. Pressure was put on local politicians, who in turn put pressure on the labour ministry. Outside Sanritsu's factory are large placards calling on Sanyo to keep the factory alive.

The bad publicity forced Sanyo to offer a concession. It said it was willing to bring part of its production of CD/radio/cassette recorders back to Japan so as to keep Tokushima going for two years.

The production volume, however, requires a cut in the workforce from 170 to 60, and Sanyo wants to choose the fortunates. But Sanritsu's largest labour union refuses forced redundancies, leaving negotiations stalled.

The workers want more time to allow the plant to seek work from other electronics groups. "We are asking for a gradual shift to independence," a union leader says. He has no doubts: "Sanyo must take responsibility for that."

Travel agencies extend price-cut campaign

By Michael Skapinker, Leisure Industries Correspondent

The three largest travel agency chains are to continue their price-cutting campaign for another week amid signs that the surge in holiday bookings has ended.

Lunn Poly, Going Places and Thomas Cook all said yesterday that they would extend their 11 per cent discounts on summer 1994 holidays until January 8.

The three chains launched their 11 per cent discounts immediately after Christmas. Travel agents said yesterday, however, that the level of bookings last week had been no higher than the equivalent period a year ago.

Thomas Cook said it estimated that 200,000 holidays for this summer were sold last week by travel agents, about the same level as in the post-Christmas period last year.

Mr Kevin Welch, marketing director of Going Places, formerly the Hogg Robinson and Pickfords Travel chains, said: "Last week's trading has been excellent, exceeding our expectations. Most branches have also seen an exceptionally high brochure pick-up, which augurs well for future bookings."

In contrast, Thomas Cook said: "The reality is we don't think there's been a dramatic increase on last year. We're seeing the market levelling off." Lunn Poly confirmed that booking levels since Christmas had been about the same as a year ago.

The slow-down in bookings follows a highly successful campaign last autumn to persuade people to buy their summer 1994 holidays early.

Thomson, the largest tour operator, said it had sold 1m summer holidays by Christmas – double the number sold by Christmas 1992. Airtours, the second biggest operator said last month that its summer 1994 sales were up 53 per cent.

The travel industry accepted that the rate of increase in sales was unsustainable. Most expect the final tally for summer 1994 sales to be 5 per cent to 10 per cent up on 1993.

The travel agents' decision to extend discounting for a further week is largely an attempt to win market share. As an 11 per cent discount cancels out the average commission on a sale, most chains said they did not expect the price-cutting to continue for more than a week.

Major defends tax increases

By Roland Rudd

Mr John Major said yesterday that the government had to raise taxes and cut spending to ensure that the economic recovery would last.

In his new year message, the prime minister predicted that unemployment would continue to fall as the recovery gathered speed. But he said he had to raise taxes because his overriding objective was "sound finances", otherwise the recovery would be built on sand.

"The Conservative party remains the party of the lowest possible tax and the only party whose instinct is to cut tax and leave money with individuals and families and not take it for the state," he said. "We raise taxes only when we have to. They [opposition parties] raise taxes whenever they want to."

Mr Alan Beith, Liberal Democrat Treasury spokesman, said the prime minister's message deserved action under the Trades Descriptions Act: "The party which has given us the biggest ever tax increases claims to be the party of low taxation."

Mr John Smith, Labour leader, said people would face higher taxes and higher bills in 1994. "A typical family will have to pay £10 a week more in tax by the end of the year when all the new taxes come into effect," he said. "This extra burden of tax will rise to £16 a week more in April 1995."

In his new year message, Mr Smith warned that as many as 95 per cent of households would be worse off next year because of higher taxes.

But Mr Major said it was time for the country to be more confident and said pessimists should be put "in their box".

He went on to stress that the joint declaration on Ulster that he signed with Mr Albert Reynolds, the Irish prime minister, made clear that the majority in Northern Ireland would decide whether they wanted to remain within the UK.

"The choice is for them alone," he said. "But one thing is certain: so long as they want to be part of the union, they have a rock solid constitutional guarantee that they can do so."

However, he sent a message to the men of violence: "If you lay down your arms – and prove you mean it – then the way will begin to open for Sinn Féin [the political wing of the IRA] to come to the negotiating table.

"We have thrown down the gauntlet of peace. So now the onus is on Sinn Féin to pick it up. There is no excuse and no justification for them not to choose the path to democracy."

Mr Major concluded by underlining the importance he attaches to the European elections in June.

"The European Parliament matters to the future of Europe," he said. "So the elections matter to us. That is why we must fight them to win".

● Companies should "make exporting a way of life" in 1994, Mr Peter Morgan, director-general of the Institute of Directors, said in a new year message to members.

Sir Michael Angus, CBI president, said in his new year message that prospects for the coming 12 months were more hopeful than at the end of 1992.

CORRECTION

Business failures

A chart of total business failures in yesterday's FT omitted a zero. Business failures in 1993 totalled 48,066.

1963: scandal and an ailing 'Supermac'

Official documents released yesterday under disclosure rules shed light on cabinet machinations of 30 years ago

The year 1963 is often characterised as one when the government seemed to be running out of steam – even before it was rocked by the Profumo scandal.

Harold Macmillan's Supermac image looked increasingly jaded as the government stumbled from spy scandals to the French veto on its bid to join the European Economic Community.

Before the end of 1963 the ailing Macmillan had been replaced as prime minister by Sir Alec Douglas-Home, who lost the following year's general election to Labour.

The year is remembered by many for the assassination of President Kennedy and the great train robbery where a gang escaped with mailbags containing more than £1m after hijacking a train.

But cabinet documents for 1963, released yesterday at the Public Record Office in Kew, west London – under the rule that they should normally be made public after 30 years – contradict the image of a government that had gone stale. The final months of the Macmillan years saw a strikingly busy and varied programme of government activity.

Ministers approved the Beeching plan which led to wide-ranging cuts in the British Rail network and, with the Buchanan report, took the first steps towards recognising that unrestrained traffic growth in towns could not continue for ever.

In spite of the French veto on Britain's application to join the EEC, the cabinet discussed building the Channel tunnel. Thirty years later the tunnel is built but, perhaps happily, another potential project of the era is not. The Macmillan cabinet had ideas for demolishing the Foreign Office in Whitehall, possibly replacing it with a structure of "fully contemporary design".

At the end of 1963 Mr Reginald Maudling, the chancellor, produced a public spending white paper – the process of relating public spending plans to resources in a co-ordinated way was in its infancy then.

Total public expenditure was less than £11bn, about one-third of today's health budget, but arguments over controlling its growth would be familiar to the present cabinet.

Sir Edward Boyle, the education minister, proposed increasing the charge for school meals from 1s to 1s 3d (about 6p): "I cannot see any obvious justification for allowing people to receive, quite irrespective of their needs, automatic increases . . . when real earnings have risen substantially."

School meals were discussed at no fewer than four cabinet meetings before ministers decided against the increase.

The future of former colonies took much of the cabinet's time, and 1963 included the celebrated extradition case of Chief Anthony Enahoro, a prominent Nigerian accused of plotting a coup d'etat who was arrested in London.

The papers show that Mr Henry Brooke, the home secretary, originally decided against returning Enahoro to Nigeria.

This was strongly resisted by Mr Duncan Sandys, Commonwealth secretary, who argued that loss of the Nigerian government's sympathy and goodwill would represent a serious diplomatic reverse for Britain.

"I fully appreciate the home secretary's difficulty," wrote Sandys, "but when so much is at stake I trust that every effort will be made to find a honourable justification for sending Enahoro back to Nigeria."

Enahoro was subsequently extradited and sentenced to 15 years imprisonment.

Alan Pike

Profumo papers remain censored

The extent to which the Macmillan government was shaken by the Profumo affair emerges from the cabinet papers. And sensitivities over the affair obviously remain – with sections of the papers censored.

John Profumo, the war minister, was challenged about his relationship with model Christine Keeler by one of prime minister Harold Macmillan's senior officials weeks before the public first heard of the scandal.

But Profumo – who was to resign from government and parliament on June 5 that year – suggested when he was first confronted that Macmillan need not be told.

Many of the papers on the affair are missing from the documents – including three from the prime minister's own files.

The earliest document in the prime minister's files on the affair – recording a visit to Whitehall officials by someone with information about the Profumo-Keeler relationship – has seven short sections obliterated from the released two-page photocopy.

This was clearly done to hide the identity of the informant. The official who met him on February 1 1963 had promised "to do his best" to protect the source of information.

On the same day Macmillan's principal private secretary, T.J. Bligh, went to see Profumo and asked him about the story, warning him of possible newspaper reports.

"Mr Profumo suggested that I need not bother the prime minister with this at this stage," Mr Bligh reported in his note, written on the same day. "I said that it seemed to me of great importance to him personally that he should tell the chief whip without delay.

"If this story was going the rounds and the chief whip got to hear about it from some other source first, that would be bad for him. Mr Profumo was grateful for this advice and arranged to see the chief whip on Monday February 4."

The affair rose to the top of the cabinet agenda in June when Profumo resigned his post, confirming one part of the scandal surrounding his friendship with Stephen Ward, the London osteopath and artist, and Keeler.

Ward, who faced charges of living off immoral earnings, had claimed that the minister used his flat to meet Miss Keeler. Now Profumo admitted that he had lied to the Commons in a statement made earlier in the year when he said there had been "no impropriety whatsoever".

While the public feasted on a series of salacious revelations, the cabinet wrestled with the embarrassing discovery that a member of government had committed a serious breach of trust in misleading his colleagues and parliament. The affair was discussed at three cabinet meetings in June.

Ministerial concern was partly focused upon Ward's assertion that he had been passing information to the security services. The overriding concern, however, appears to have been the degree to which ministers who had advised Mr Profumo had acted with "good judgment and honesty of purpose".

The minutes concede that public opinion was "shaken by the disclosure that a minister of the crown could so far abuse the unique degree of privilege attaching to a personal statement in parliament as deliberately to mislead his colleagues in the government and the House of Commons".

An internal inquiry carried out by the Lord Chancellor, Lord Dilhorne, developed into a "who-knew-what-when" exercise. This was particularly important since two years before the Commons statement Mr Profumo had been warned to end his association with Mr Ward. The warning, delivered by Sir Norman Brook in 1961, was issued at the behest of the security services concerned about Mr Ward's friendship with Captain Eugene Ivanov, the Soviet assistant naval attaché to the UK.

The minutes concur with the conclusion of the subsequent Denning Inquiry that neither the minister nor the security services had known at that time about the Keeler connection and that no breach of security had taken place. Alterations made to Lord Dilhorne's internal report into the affair – after new evidence emerged – suggest, however, that MI5 might have known more about Mr Ward than it wanted to disclose. A reference to the security service possessing "information" on Mr Ward is deleted from the first draft of the report without explanation.

The government's initial anxiety was not misplaced. Lord Denning concluded that the prime minister and his colleagues had not succeeded in dealing with the widespread public belief that Mr Profumo had committed adultery.

Richard Donkin

Hulton-Deutsch

Driven out: John Profumo was challenged about his relationship with Keeler by an official weeks before the public heard of the scandal

'Dictatorial' de Gaulle blamed for EEC crisis

Ministers ruled out the possibility of continuing negotiations with the other five European Economic Community partners when France vetoed British membership in January 1963.

The cabinet was told that the five governments were seriously disturbed by the "dictatorial attitude" of General Charles de Gaulle, the French president, and might be willing to continue negotiations to embarrass France. But ministers concluded that the five would not ultimately abandon France in favour of Britain.

On January 14, the day negotiations on Britain's application for membership resumed in Brussels, President de Gaulle made a public statement opposing British entry.

Although the negotiations did not formally come to an end for another fortnight, the cabinet knew from this moment that the British application was almost certainly doomed. Cabinet minutes show that, after the president's statement, one of the government's overriding objectives was to ensure that the French took maximum blame for the failure of the talks.

Harold Macmillan, the prime minister, told the cabinet that de Gaulle's intervention did not reflect his conviction that the Brussels negotiations had failed, but his realisation that they were within sight of success. Such success, said Macmillan, would have been incompatible with de Gaulle's ultimate purpose of creating a Franco-German alliance to dominate Europe.

De Gaulle, the cabinet was told, had alleged that Britain had made secret agreements with the US designed to transform the EEC into an Anglo-Saxon free-trade area.

The minutes make clear the extent to which the government regarded failure of the EEC application as a serious setback to its policies.

Ministers agreed that they should not abandon the objective of joining the community, but saw little purpose in seeking to develop a more limited economic association with the EEC. This, they decided, would not enable Britain to take part in shaping the community's policies, while probable French conditions on any such association would be unacceptable.

Alan Pike

Doubt cast on PM's resignation

Harold Macmillan may have been calculating his resignation as prime minister earlier than it appeared when he was suddenly admitted to hospital in October 1965.

An unsigned and undated draft letter from Macmillan to "Rab" Butler, the foreign secretary, marked "not sent", shows that the prime minister had made up his mind to resign before entering hospital.

Newspapers at the time were told that a decision on his future depended on the outcome of the operation – but the letter indicates that the prime minister had already made his decision.

It says: "As you know I am going into hospital for some weeks to have an operation for prostate trouble. This blow to my health has made me decide that I should, when I am well enough to see the Queen, resign my position as prime minister and leader of the party.

"I do not propose to announce this decision at this stage. But I should be grateful if you and any members whom you care to consult would decide how best to apply this decision to resolving the problems which we have discussed, both in relation to the party conference at Blackpool and the succession."

The fact that the letter was never sent lends support to the conviction that Macmillan deliberately undermined Butler's ambitions to succeed him. Why it was written at all and who drafted it remain unclear.

Richard Donkin

Regional divide narrows

Recession has narrowed the north-south divide, figures from the Central Statistical Office showed yesterday.

South-east England slipped back while Scotland, Northern Ireland and the north moved forward. But an east-west divide opened up with East Anglia seeing the biggest rise and north-west England showing the steepest fall.

Regional figures for 1992 showed that while gross domestic product per head in Greater London was down almost 2 per cent on 1991, Scotland, Northern Ireland and the north saw their second successive relative increase. Total GDP in 1992 was £514bn, up 4 per cent on 1991. More than a third was accounted for by the south-east, with Greater London alone responsible for 14.7 per cent.

Sold down the river for a second bridge

Roland Adburgham on the controversial means of financing a new Severn crossing to south Wales

Today the toll for cars to cross the Severn Bridge between England and Wales rises to £3.40 from £3.10 – a figure the Royal Automobile Club had already condemned as "extortionate". For heavy trucks the toll increases from £9.30 to £10.10.

A small consolation for drivers is that they now have a fine view of where most of the money goes: the privately-financed £300m second Severn crossing.

Three miles downstream from the existing bridge the concrete caissons for the foundations of the new one, some weighing 2,000 tonnes, straddle the estuary like stepping stones. In the middle of the channel the two main pylons are rising at the rate of one metre a day towards their eventual height of 137 metres.

Work on the cable-stayed bridge started in April 1992 and is within budget and on schedule to open in spring 1996. This month the labour force will increase to nearly 1,000 for what will be the peak year of activity. It is one of the largest construction projects in Europe and a prime example of the government's intention to attract more private investment into infrastructure.

Severn River Crossing, a consortium of John Laing and GTM-Entrepose of France, is the main contractor, with Bank of America and Barclays de Zoete Wedd as financial partners.

The consortium took over the existing bridge in 1992 with a concession to operate both crossings for a maximum of 30 years, after which ownership reverts to the government. Debt finance to build the new bridge is repaid by tolls, which are allowed to rise annually by inflation plus 6 per cent until 1996, then by inflation alone.

The new bridge will have three lanes in each direction, a span of nearly 1km and an overall length, with its viaducts, of more than 5km. A toll plaza of 14 lanes will be built on the Welsh side – the tolls, as with the existing bridge, will apply only to westbound traffic. An M4 extension and approach roads to the M5 are being funded by the Department of Transport. The M4 will be re-routed to the new bridge, expected to take 60 per cent of the crossing traffic, and the road via the existing bridge will become the M48.

In the hazardous task of building the new bridge, Laing and GTM have to contend with a tidal range of more than 12 metres, the second highest in the world after the Bay of Fundy, Nova Scotia. "The best-read books here are the tide tables," says Mr Norman Haste, project director. "With a high tidal range you get very strong currents of up to 10 knots. When it is running at that sort of speed, it is virtually impossible to work on the river."

There are other difficulties. The estuary almost dries out at low tide, leaving only a short time for barges to manoeuvre the caissons, which are pre-cast on either shore. There are also tempestuous winds – which regularly cause problems for high-sided vehicles on the existing bridge. In spite of the dangers there have been no fatal accidents so far.

Annual traffic on the existing bridge has tripled to 18m vehicles from the 6m when it opened in 1966. Since Severn River Crossing took over running of the bridge queues have been cut by a combination of the introduction of one-way tolls, automatic cash payment and electronic tagging to replace season tickets, and by the impact of the recession.

An undisclosed factor is how many vehicles avoid the tolls by making the long detour through Gloucestershire, and then enjoy a free return trip across the Severn. The RAC argues that high tolls are penalising Welsh small businesses and that there has been a big increase in trucks avoiding the bridge, "with a devastating effect on local communities". It says the bridge is a "prime example to the government of what not to do" when it introduces motorway tolling.

Severn River Crossing is confident that for most people time will be more important than money. What the tolls on the new crossing will fail to buy, however, is a good view. To counter the high winds, there will be 3 metre screens on both sides of the bridge.

£900m corporate boost for Lloyd's

By Andrew Jack

Lloyd's of London has attracted more than £900m from investors taking advantage of the first chance in the insurance market's 305-year history to be protected by limited liability.

Twenty-five "corporate members" backed by institutional and private money will be able to contribute £1.6bn in capacity for the 1994 underwriting year, Lloyd's said yesterday.

It added that resignations by Names – the individuals whose assets have traditionally supported the market – are expected to be less than half the number this year than last.

The figures suggest that Lloyd's may be able to offer total underwriting capacity for 1994 of £10bn compared with £8.8bn last year. Final numbers will be prepared by the end of next week.

Mr David Rowland, chairman, said corporate capital would allow Lloyd's to take advantage of "greatly improved trading prospects" and enhance the professional standards of the market.

The corporate money has been generated following recommendations in a radical business plan published by Lloyd's last April to introduce corporate capital without the requirement of unlimited liability imposed on individual members in the past. The amount supplied is towards the upper end of Lloyd's estimates of £500m to £1bn.

Under the rules of the scheme, members can underwrite twice the level of capital they hold. Only about £800m of the £904m raised will be pledged in 1994, giving a total underwriting capacity of £1.6bn.

The shortfall reflects money for which there was no room on preferred syndicates, held back for the 1995 year and to pay the management and administration expenses of the corporate vehicles.

The corporate members include 12 quoted investment trusts which have raised a total of £804m in capital, with £280m coming from London Insurance Market Investment Trust (Limit) alone.

Nine private corporate vehicles have raised £87m, with £27m from Lomond, formerly Murray Underwriting, and just £1.5m from each of the two smallest vehicles. Four further corporate members will supply a further £13m. A number of other corporate members were marketed during the autumn but collapsed through lack of support.

Provisional estimates show that just 958 Names have resigned and will not be underwriting in 1994 compared with 2,308 one year ago. This leaves 19,537 active underwriting Names for the year.

The increase in total underwriting capacity reflects a combination of lower resignations, and the introduction of both corporate capital and Members' Agents Pooling Arrangements, which spread the commitments of Names more widely across syndicates.

Who is joining the market?

Quoted investment trusts	Capital raised
London Insurance Market Investment Trust	£280m
CLM Insurance Fund	£86m
Angerstein Underwriting Trust	£67m
HCG Lloyd's Investment Trust	£65m
New London Capital	£60m
Delian Lloyd's Investment Trust	£51m
Masthead Insurance Underwriting	£40m
Premium Underwriting	£33m
Syndicate Capital Trust	£32m
Finsbury Underwriting Investment Trust	£30m
Abtrust Lloyd's Insurance Trust	£30m
Hiscox Select Insurance Fund	£30m
Other Vehicles	
Lomond (formerly Murray Underwriting)	£27m
Navigators Corporate Underwriters	£19.25m
Camperdown Corporation (St Pauls)	£14m
Hiscox Dedicated Corporate Member	£10m
Absa Syndicate Investment	£6.5m
Wentworth Underwriting	£5m
Kiln Coteswoth Corporate Member	£2.25m
Yasuda Lloyd's Corporate Member	£1.5m
MICAL	£1.5m

In addition to these other vehicles, there are four further corporate members which will supply, in aggregate, £13m of capital

Sniper rifle is sold in US shops

By Jimmy Burns

One of the weapons which IRA snipers are believed to be using near the border with the Irish Republic – a Barrett Light Fifty rifle – is freely available on the US market at a basic price of $6,750 (£4,560).

The weapon poses a serious tactical challenge to those of the 10,000 security forces personnel in the province who operate in the so-called "bandit country" near the border. Security sources say the killing by a sniper of a British soldier on Thursday has underlined how the IRA use suprise to defy the heavy military presence in the area.

Names such as "black widow" and "Goldfinger" are being bandied about in order to perpetuate the notion of IRA invincibility.

Mr Ian Hogg, editor of Jane's Infantry Weapons, said yesterday that the rifle was used widely by US police and soldiers. The manufacturers claim that it is accurate up to 1,400 yards.

The soldier was the ninth member of the security forces to be killed by a single shot from a sniper since August 1992.

Forensic examinations have established that most of the attacks have involved a large-calibre weapon using an armour-piercing bullet fired at long range. No sniper has been detected by the army's control towers in the border area.

The army and the Royal Ulster Constabulary insist there is no evidence to suggest that all the killings were the work of one person.

Anger spreads in scarred town

Gillian Tett finds a sense of disappointment in Enniskillen at the premiers' peace initiative

The old man in a flat cap sat at the dimly lit bar in the Northern Ireland town of Enniskillen and muttered angrily: "Forget this peace declaration, those provos are going to come and blow us all up now."

"Hey Jack!" chided his neighbour, looking nervously around the room where both Catholic and Protestant groups were drinking. "Let's talk about the weather instead!"

The disquiet may be expressed in hushed mutters, but there is a palpable sense of disappointment in Enniskillen, the town devastated by an IRA bomb which killed 11 and wounded 63 on Remembrance Sunday in 1987.

For the last three weeks the 11,000-strong population, which is split fairly evenly between Catholic and Protestant, has watched the waiting game being played by the British government and the IRA.

And with Thursday's murder of a British soldier now dominating the local news, attitudes across the town, which sits 15 miles from the border with the Republic, are hardening. Mr Raymond Ferguson, a lawyer and Ulster Unionist party councillor, is already predicting a new onslaught of violence. Although he represents the largest and more moderate of the unionist parties – and accepts last month's Anglo-Irish declaration – he feels increasingly angry.

"The British government has made a huge blunder in being involved in this so-called peace declaration," he said. "They are just boosting the morale of the IRA."

Across the town, activists in Sinn Féin, the political wing of the IRA, are reluctant to talk, even though they once won a by-election in the town and now hold three of the 23 seats in the local council.

Mr Gerry McHugh, a Sinn Féin councillor, said: "The people here don't see much in the declaration – they're just really confused ... with Major saying one thing and Reynolds another."

The comments seem particularly poignant as Enniskillen would seem more prepared for peace than many towns in Ulster. The Remembrance Day bomb prompted a wave of anti-IRA feeling which allowed the Ulster Unionists to gain control of the local parliamentary seat. And on a local level relations between the two communities are not bad. In the centre of the town a Catholic, Protestant and Methodist church stand side by side. Meanwhile, the trauma of the bomb has spawned a clutch of community initiatives to push towards peace.

Mr David Cupples, minister of the Presbyterian Church, believes that most of his congregation are still "hoping against hope" that the peace initiative will be salvaged. But he admits that it will be difficult for many to accept any initiative which appears to reward IRA violence. "The hurts are very deep here," he said.

But after 25 years of continual violence, the danger in a town such as Enniskillen is that terrorist activities already seem normal. Mr Chris Donegan, a senior journalist on a local paper said they breed a mood of cynicism among many. The Impartial Reporter tries to be independent – a tolerance which Mr Donegan demonstrates by pointing to the one Catholic on its staff. But the existence of another, Catholic-dominated newspaper is evidence of the lingering tensions in the town, which for many have become normal.

"It's gone on for 25 years and people feel it could go on for 25 more – there is almost this sense of an acceptable level of violence," he said.

And with most residents agreeing that the media hype that accompanied the declaration did not match attitudes on the ground, Father Patrick McGinn, a Catholic priest, believes the best hope for peace in the new year is for the media comment to subside.

"You can build up a false sense of hope – and a false sense of the divisions here," he said.

"The people in this church and the one across the road are not so far away really. We just need the hope and divisions to be toned down."

Paul Fath

Raymond Ferguson: "The British government has made a huge blunder in being involved in this so-called peace declaration"

Modest growth in accounting predicted

By Andrew Jack

British accountancy firms can expect their performance to increase only very modestly over the coming year, according to a briefing paper from the economics department of Barclays Bank released yesterday.

Growing competition and a stagnant market make the prospects "unpromising" for both larger and smaller firms, the briefing warns.

It estimates that the work performed by accountants declined in 1992 and 1993 back to the level of 1990. It forecasts the profession will only see growth of 2 per cent in 1994.

It highlights the fact that just four of the top 20 firms increased fee income in 1992-93, with audit, tax and consultancy work suffering most.

Fee income and profit margins declined as a result of excess capacity and the growing trend of clients to put work out to tender.

Small and medium-sized firms suffered disproportionately because they are more dependent on audit and tax work and do not have much income from insolvency.

Industry Briefing: Accountancy services, Barclays Bank Economics Department, PO Box 12, 1 Wimborne Rd, Poole, Dorset. BH15 2BB. Free to business customers. £30 to others.

Better-off more worried about losing their jobs

By David Goodhart, Labour Editor

People in high-risk groups for unemployment, such as young males and council tenants, are less concerned about losing their jobs than those in safer groups such as middle-aged southerners with mortgages.

According to an analysis of MORI interviews with 9,000 adults between April and December, young people aged 18 to 24 are heavily over-represented among the unemployed, forming 34 per cent of the total, but only 20 per cent say they are "very concerned" about being made redundant.

Conversely, the interviews show that 35 to 44-year-olds with housing and child-rearing commitments are considerably less likely to be unemployed, forming only 11 per cent of the total – yet 23 per cent of them are "very concerned" about losing their jobs.

In the south of England, with 34 per cent of the unemployment total, 44 per cent of people said they were worried about unemployment, compared with only 22 per cent in the north, which contributes 31 per cent to the unemployment total.

Council tenants form 42 per cent of the unemployed, but only 15 per cent say they are "very concerned" about losing their jobs. Mortgage payers on the other hand form only 28 per cent of the unemployed but 64 per cent are "very concerned" at being made redundant.

Social classes DE, the semi-skilled and unskilled, form 66 per cent of the unemployed but only 25 per cent fear redundancy. Social class C2, skilled manual workers, form only 16 per cent of the unemployed but 38 per cent are very concerned about job loss.

"What we find in general terms is that fear seems to follow the pattern of employment, rather than unemployment," said Mr Simon Braunholtz of MORI, who carried out the analysis for Industrial Relations Services.

"This suggests that either those in the high risk categories feel it 'couldn't happen to me' or are hardened to the possibility of unemployment by past experience or peer group experience," he said.

For the low-risk groups it is evidently financial commitments which drives their fears, so an upturn in the economy could in theory substantially reduce anxiety without producing any important change in their likelihood of becoming unemployed.

Government seeks to salvage fishing policy

By Alison Maitland

The government is seeking an urgent meeting with the European Commission in the new year to try to salvage its fisheries conservation policy after being forced to suspend its unpopular scheme limiting the time vessels can spend at sea.

Ministers will ask Mr Yannis Paleokrassas, the fisheries commissioner, what alternatives would be acceptable to enable the government to meet its commitment to reduce UK fishing fleet capacity by 19 per cent by the end of 1996.

Government policy has been left in disarray by the High Court decision last month to refer to the European Court a challenge by fishermen to the "days-at-sea" restrictions.

The restrictions had been due to come into force today. But the government, acknowledging that the court's move cast legal doubt on the operation of the scheme, has suspended its introduction until the European Court judgment.

This usually involves a long wait and Britain will be asking the commission to speed things up.

Ministers may also ask the commission to allow a delay in the 1996 deadline for achieving fleet capacity cuts, arguing that their hands are tied by the court case.

The restrictions, the cornerstone of the government's programme, were designed to achieve up to 8.5 per cent of the overall cut, with a £25m decommissioning programme and tighter licensing of vessels accounting for the rest.

Fishermen, jubilant at what they see as a victory over the government, want ministers to adopt their package of "technical" conservation measures instead.

These include larger mesh sizes to allow young fish to escape, and closing some areas to fishing when spawning is taking place.

Mr David Pessel, a Plymouth fisherman and an executive member of the National Federation of Fishermen's Organisations which brought the High Court action, said such measures, unlike the days at sea limits, "directly aid conservation of fish stocks".

But government scientists doubt they would be enough to cut overfishing of endangered stocks.

The European Commission has also been sceptical about whether such measures are effective in the European-wide effort to reduce capacity.

Ministers are outwardly confident the European Court will back its days-at-sea policy. But Mr Pessel, who helped organise a blockade of Plymouth harbour and a demonstration in London, said: "We believe the days-at-sea issue is stone dead. If they ever did try to resurrect it, we can assure them they'd face the same scenario."

A way out of the government's quandary, hinted at by ministers, would be for the European Commission to adopt EU-wide restrictions on time at sea.

Mr Pessel said: "If it was genuinely enforceable and fair, I don't think anybody could argue against it."

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

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Bulls, bears and bubbles

The Crash of '94 – the phrase does, you have to admit, have a certain ring about it. The past 12 months have seen stock and bond markets around the world respond with equal euphoria to news both good and bad. Stockbrokers have repeatedly revised upwards their targets for equity markets, then upgraded their corporate earnings forecasts to make sense of the new peaks that they expect the markets to scale. The retail investor is back with a vengeance on both sides of the Atlantic. And the scramble for shares in the City this week was almost as frenetic as the sales in the West End department stores.

When people appear to think that the supply of equities is about to run out, at the end of a month in which Mr Vladimir Zhirinovsky has talked of deploying Russia's nuclear arsenal, it is clearly time to ask whether the whole financial house is about to come tumbling down.

The one part of the markets' thinking that is hard to argue with at this point concerns the short-term case for bonds. After the inflationary excesses of the 1960s and 1970s, and the financial liberalisation of the 1980s, the world is clearly changing financial gear. Disinflation, which is what bond market euphoria is all about, is not merely a reflection of cyclical factors like recession. Apart from Japan, which starts from a position of budgetary strength, the leading industrialised countries have all embarked on varying degrees of fiscal retrenchment.

Equally important, competition from low-wage developing countries is imposing downward pressure on prices in the developed world. In the tradeable goods sectors of the G7 nations, the ability of workers to demand increased pay and of companies to increase profit margins is severely constrained. The completion of the Uruguay Round of the Gatt will ensure that the downward pressure on prices of tradeable goods will increase rather than decrease over the rest of the decade.

Astonishing fall

These structural changes, taken against the background of a sluggish recovery in which the world's economies have been moving in divergent directions, provide the explanation for an astonishing fall in both nominal and real bond yields. Over the past year, if British index-linked gilts are any guide to the global trend (which seems plausible enough in an increasingly global market), real bond yields have fallen by around a full percentage point to just under 3 per cent – a figure that is back in line with the kind of rates that used to prevail in the days of the gold standard.

The story is undoubtedly a good one for bonds. But it is pretty long in the tooth by now, especially in the US. There, economic growth has been relatively strong and the gap between actual and potential output is expected to disappear. That would point to inflationary bottlenecks – and a red alert at the Fed.

Elsewhere, including the UK, the bond market surge probably has further to run. But it is important to remember that inflation has not been abolished – witness Russia's year-on-year inflation of close to 900 per cent. It has only been stopped in countries with credible governments that the markets trust. It remains to be seen whether those like Italy and Belgium, facing great political challenges as well as huge historic burdens of debt, will live up to market expectations. And as the rest of the world outside the US starts to recover, the demand for global capital will increase, which could bring upward pressure on real bond yields.

Depressing influence

The more puzzling part of the market equation concerns equities. Many of the stories that have been good for bonds, such as fiscal retrenchment and the downward pressure on corporate profit margins, ought to have had a depressing influence on equity prices. But not in the event. The simplest explanation is the practical one. When bank deposits yield a zero income in real terms, as in the US, investors respond by stampeding into securities in order to generate higher real returns. The risk with a money-driven market of this kind is that it can lose touch with reality and turn into a bubble.

By historic standards, the yield on equities in the US and Europe is at the very low end of the spectrum. Yet low dividend yields look less frightening when measured against real bond yields. For a tax exempt investor in the UK, a yield of 3.4 per cent, taken together with almost any assumption about economic growth, does not look so demanding against a 2.9 per cent real bond yield. A 2.7 per cent yield in US equities is another matter, especially as the Federal Reserve will probably have to raise short-term interest rates this year to deal with incipient inflationary pressure. This could frighten the former depositors, who have helped create a bubble via mutual fund investment in equities. The worry for European investors is that US capital outflows have now become so important that European equities could be caught in any backwash.

That is not to say that UK equities will not go higher in the New Year. But it does mean that private investors should now be adopting a much more cautious stance.

A prudent year for UK housing

In any sane society, house price inflation would be regarded as particularly malign, since shelter is, after food, the most essential of goods. Equally, falling prices would be viewed with delight. UK nominal house prices fell, on average, by about 15 per cent between mid-1989 and early 1993, while the ratio of house prices to earnings is at levels last seen in 1985. Is joy breaking out? Alas, no.

The reason for the despondency is not hard to find. Houses are not merely nests; they are nest eggs. In the UK, 68 per cent of housing is in owner-occupation. At the end of 1992, net housing wealth was almost a third of the net wealth of the personal sector, even after three years of declining prices. No wonder millions of owner-occupiers pray for the return of house price inflation. Fortunately, they are unlikely to get what they want, at least in the near future.

This sounds hard-hearted, particularly when many still suffer from the new disease of negative equity. Fortunately, even the very modest price increase of 2 per cent estimated by the Halifax Building Society for 1993 has reduced the number of victims quite sharply. Recently, the Bank of England has calculated that negative equity afflicted 1.2m households at the end of the third quarter of 1993, down from 1.8m at the end of the first quarter. The value of negative equity also fell, from £11.7bn to £7.3bn. This suggests that the 5 per cent price increase forecast by the Halifax for 1994 might reduce the numbers affected considerably.

Hapless victims

In any case, these people are the hapless victims, not of the inevitable price adjustment of 1989-92, but of the period beforehand, when house prices rose some two and a half times. The British middle classes had to learn that buying a bigger house than they could afford and borrowing close to 100 per cent of its value was not the best way to become rich. The lesson was brutal, as such lessons tend to be. It fell not on the beneficiaries of house price inflation but on their children. But they at least must have learned their lesson.

Or have they? Within 20 years the UK has had two house price surges, in 1971-74 and again in 1985-89, along with a mini-surge between 1978 and 1980. What is to prevent another one? In the short run, painful memories should do the trick. Over the long term, people must believe that the authorities would not permit another inflationary burst.

Price correction

This confidence will not be easy to sustain, since some price correction is unavoidable after the recent decline. If prices rise faster than nominal interest rates, even cautious buyers may feel forced to jump into the market. As prices rise, negative equity will also diminish quite rapidly. The value of negative equity is, in any case, only about 1 per cent of the net value of the housing stock. Also important will be the combination of low rates of interest on deposits with the rampaging bull market in financial assets. People will seek other investments, with property standing out for its cheapness.

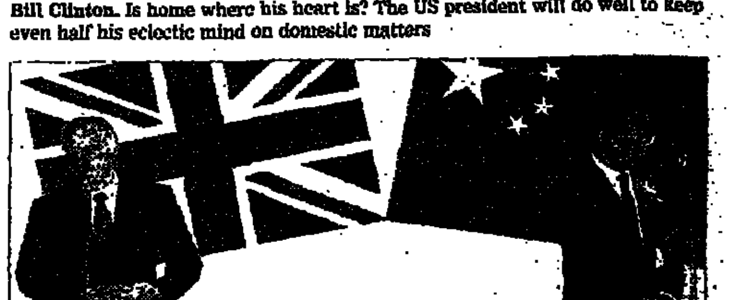
What does this mean for the authorities? It means they should be on their guard. They should become nervous if house prices rise faster than interest rates for a lengthy time. They should feel panic if housing-related credit starts to expand rapidly. And if the next cut in the base rate of interest were to come *after* this year's round of annual mortgage interest adjustments, they should feel rather pleased.

Window on the world

Many of the predictions made for 1993 proved accurate, if rather safe, bets. Answering the most important questions for this year, **FT writers** do not expect a great upheaval in global fortunes – but some economic and political changes may be positive

Jacques Delors. Goodbye Brussels, hello Paris? The EU president is leaving the Commission, possibly for a stab at the French presidency

Bill Clinton. Is home where his heart is? The US president will do well to keep even half his eclectic mind on domestic matters



Hong Kong. Poles apart: the colony's stock market boomed while London and Beijing squared up for a fight

Fidel Castro. Communism's last stand: the smart money is on the Cuban leader staying put

Vladimir Zhirinovsky. Right out of line: Russia's neo-fascist has done everything wrong since his poll triumph

Japan's economy. Out of the woods? Optimists are likely to be disappointed

Former Yugoslavia. Peace? Out of sight

How well did FT writers forecast events in 1993? Quite well, it appears.

Martin Wolf decried the Organisation for Economic Co-operation and Development's December 1992 forecast of 2.3 per cent for Japanese economic growth and 1.2 per cent for German growth in 1993. He predicted, instead, that the former would grow very little and the latter contract. Even he was optimistic. He also forecast the collapse of the old European exchange rate mechanism into a narrow D-Mark zone, with floating rates among the leading European currencies. That is what happened, with the ERM reduced to a link between the Netherlands and Germany. His January 1992 forecast that the Uruguay Round would succeed came true, a year late.

Edward Mortimer argued that there would be no peace in the Balkans, but assumed – too optimistically – that "the international community" would never accept a Serb victory *de jure*. Jurek Martin was bullish on Mr Clinton's ability to get things done, rightly so. Philip Stephens said John Major would still be UK prime minister at the end of 1993, while Lionel Barber assumed the Maastricht treaty would be ratified. As for peace in the Middle East, Hugh Carnegy noted, correctly, that awareness of the narrowing "window of opportunity" might spur a breakthrough.

John Lloyd thought that the Russian economy would get worse; Stephen Fidler that Brazil would remain a country with potential it fails to achieve; and Alexander Nicoll that Chinese economic reform would endure. Safe bets all, they remain so for 1994.

So how will 1994 turn out?

Will markets crash?

John Plender writes: With financial markets still adjusting to powerful disinflationary forces in the global economy, bonds will bubble on and up in the first half of 1994. But not in the US, where recovery is well advanced and the gap between actual and potential output – a key indicator of inflationary pressure in the economy – is disappearing. The question for world equity markets is how fiercely the Federal Reserve twitches in response. A big rise in short-term interest rates could precipitate the Crash of '94.

A more likely outcome is a cautious tightening of policy which initially fails to dent the equity euphoria. The bump will then come if and when the Fed's action is perceived as too little, too late. Equities in most markets are expensive by historic standards and will look much cheaper at some point in the next 18 months, even if a few ounces of capital gain remain to be squeezed out in the short term. Best defensive bet: UK commercial property, where yields are still at historically high levels. Wild cards that could bring a premature end to the equity party: Vladimir Zhirinovsky, Kim Il Sung and their like, who yearn to play with nuclear toys.

Will the ERM be back in narrow bands?

Martin Wolf writes: No, but it should at least be feasible. What destroyed the credibility of the old narrow-band ERM was the inappropriate monetary policies it imposed upon most member states. The price paid for that lack of credibility were the high interest rate premiums that had to be paid on weaker currencies. Once the European economy returns to steady growth, which should begin this year, fixed exchange rates should become more defensible once more.

Real short-term interest rates remain quite high in the continent. But the Bundesbank will become increasingly confident that German inflation is on the way down. Given its determination to restore German monetary credibility, it will cut short-term interest rates slowly. But the strength of the disinflationary forces at work in Germany should allow rates to go down a long way. The OECD December forecast that they will be below 4 per cent in 1995 might even be too cautious.

If so, recovery should be well entrenched by late 1994 or early 1995. It would then be possible to move back to narrow bands. But it would be more sensible to retain the present, more flexible system and use it as a jumping off point for economic and monetary union.

Will the EU have more members by next year?

Lionel Barber writes: Yes, but not necessarily as many as first planned. Nor is it certain that Austria, Finland, Norway and Sweden will enter the European Union by the agreed target date of January 1 1995.

The enlargement negotiations are proving stickier than first thought, and public opinion in all the candidate countries remains a mixture of equivocal and hostile, with the possible exception of Finland. Any effort to speed up negotiations to meet the March 1 deadline could lead to overhasty concessions and a backlash at home.

Pencil in success for Finland, Austria and Sweden, but it is still not a safe bet that all three will be ready by new year 1995. Norway remains the shakiest candidate, mainly because of its tough demands on oil and fishing.

Who will succeed Delors?

Lionel Barber writes: Mr Ruud Lubbers, the Dutch prime minister, remains front-runner to become European Commission president. He briefly denied he was a candidate last autumn; but his aim was to avoid accusations that his Brussels ambitions were blunting Amsterdam's chances of beating Frankfurt in the race to win the European Monetary Institute.

Mr Lubbers has spent almost 12 years at the top of Dutch politics, he knows his way round the corridors of power in Europe, and it is time that a smaller EU state took the top Commission job, according to Buggins's Turn Rules in Brussels. More important, as a Christian Democrat, Mr Lubbers may also have German Chancellor Helmut Kohl's vote in his pocket.

An upset could come if countries decide they want a more exciting candidate. Sir Leon Brittan, chief EU trade negotiator, is running hard on the back of the successful conclusion of the Gatt world trade talks; and it would be unwise to rule out Mr Peter Sutherland, a former Irish commissioner and director-general of Gatt.

Other potential contenders include Mr Leo Tindemans, former Belgian prime minister and currently a Euro-MP; Mr Wilfried Martens, another Belgian prime minister; and Mr Willy Claes, who impressed as Belgian foreign minister during the recent Belgian presidency of the EU.

How low will UK base rates go?

Martin Wolf writes: British base rate will trough at 4-4½ per cent towards the end of 1994. The further reduction of 1½ percentage points will be justified by continued disinflation and the sluggishness imparted by the £7.9bn in tax increases due in April.

If that were not a good enough reason to lower short-term interest rates, declining European interest rates will help too. With German short-term interest rates continuing to decline, the pound is likely to strengthen against the D-Mark, the last thing Mr Kenneth Clarke will want to see. As the gap between US and European rates of interest shrinks, the dollar is likely to strengthen too, which would also help the UK economy.

Lower base rates may help both the economy and the great British borrowing classes, but they also punish depositors. Higher taxes on those in work, alongside still lower interest rates for those in retirement, will sadden the hearts of Tory voters and politicians.

How will the UK Conservative party fare?

Philip Stephens writes: After spending most of 1993 locked in virtual civil war, there are signs it has remembered it is the party of government, not opposition. But the lesson of this government has been never to assume the recent past is a guide to the near future. John Major's grip on 10 Downing Street remains far from certain. Kenneth Clarke, the chancellor, is waiting in the wings should the prime minister stumble.

Will the Japanese economy recover?

Robert Thomson writes: Probably not. For the last two years, the Japanese government has predicted that economic recovery is a few months away, but the passing of each month has brought a continuing deterioration in corporate profits. Recovery is still, officially, a few months away, but bureaucrats at the finance and trade ministries fear that the economy is on the brink of a new downturn, perhaps triggered by workforce reductions.

There are positive signs. Housing starts are on the rise and the yen has weakened by 11 per cent since August, when it edged close to Y100 to the dollar. But the strong yen encouraged fresh investment in other east Asian countries, where labour costs are lower. The Japan Research Institute estimates that the transfer of production overseas will mean 1.1m fewer jobs within Japan over the next five years.

Bank of Japan officials say the two most important indicators of a recovery will be consumer confidence, weighed down by concerns about job security, and capital investment, shrinking because most manufacturers are attempting to reduce production capacity at home. If the coalition government crumbles and an election produces another unstable alliance, consumer and corporate confidence will be further undermined.

Most private forecasts for the fiscal year beginning in April are rather gloomy. Nomura Research Institute expects the economy to contract by 0.4 per cent, Nippon Life Insurance forecasts zero growth, and the Bank of Tokyo predicts an expansion of 0.4 per cent. To complete the gloomy picture, the Daiwa Research Institute expects corporate profits to fall for a fifth consecutive year.

Will Zhirinovsky find more success?

John Lloyd writes: This will be a difficult year for Vladimir Zhirinovsky. Success came rapidly at Russia's December elections, but afterwards he did everything wrong. He posed as a moderate, but slipped and threatened to use nuclear weapons on Japan and Germany. Having insisted he really was a Liberal Democrat, he revealed that his main ally was Dr Gerard Frey, leader of the far-right German People's Union. He claimed cabinet posts, then said he would lead the opposition.

Russian politics are messy but have limits: unless he shows some sense of what to do with his victory in the polls – and it was a victory – he will fall. However, the disaffection which gave him that victory may find a better vehicle.

Will war end in the former Yugoslavia?

Edward Mortimer writes: An overall peace settlement is unlikely. Although there is great war-weariness, there are also burning grievances and intense mutual mistrust. Winners (so far mainly the Serbs) are unwilling to purchase peace by giving up territory gained. Losers (especially the Bosnian government) still see more hope of regaining something by war than by negotiations. As for the "international community", its inability to mediate and unwillingness to impose peace have been amply demonstrated.

Serbia would like peace, to get rid of sanctions, but it no longer controls (if it ever did) either the Serbs of Bosnia or those of Croatia. Fighting in Bosnia might gradually wind down, if Moslems have captured as much territory from Croats, and Serbs from Moslems, as they can reasonably hope for. But any truce will be unstable, because the Moslems will not have a viable territory and will be on the look-out for chances to regain some of what they have lost. At worst, Sarajevo may fall to Serbs or be partitioned, with attendant atrocities.

Fighting may resume in Croatia, whose government will want to prevent Serbs from consolidating *de facto* "independence" in occupied areas. And the fact that war did not break out in Kosovo in 1993 does not mean it will not in 1994.

Will Fidel Castro survive?

Stephen Fidler writes: Probably. Castro's position as Cuban leader has weakened significantly as the economy has sunk since the loss of Soviet aid. The economy may in 1993 have turned the corner after a severe slump, but not enough to quell popular dissatisfaction over the economic hardship being suffered. The government's grip over the country has also been loosening as it has moved reluctantly to reform its economy. Some of the reforms, in particular the legalisation of the dollar, are accentuating divisions in society.

But it is hard to see how resultant dissatisfaction could develop into a force strong enough to overturn Castro's government, which has been skilful in targeting the internal groups around which opposition could coalesce. And though many Cubans may be disenchanted with Castro, there is widespread dislike of the expatriate opposition groups centred on Miami.

Cuban officials have been suggesting one-man rule is giving way to a more collective form of administration. But this will probably make little difference to the US embargo, which – by allowing him to blame Washington for the country's troubles – may be Castro's greatest prop. The betting must be on Castro to remain *el líder maximo* through 1994.

Will Clinton concentrate on domestic policies?

Jurek Martin writes: Yes and no. Nothing matters to him more than healthcare reform. Universal coverage will not be in place a year from now – even if he had things all his own way, it would not properly kick in until 1998 – but he must have a partial legislative victory in place before November's midterm elections to have a chance of finishing the job in 1995. The battle in Congress could be daunting, especially with Republicans expecting gains in the midterms.

Also on a heavy domestic agenda are education and worker training programmes, welfare reform and that most divisive of political issues, gun control. As last year, he may win more than he loses if he can amass the right coalitions again, but healthcare is the "big one", requiring maximum endeavour and with current odds barely in his favour.

That said, Mr Clinton has a Bush-like travel schedule in 1994, after going abroad only twice last year. No fewer than four European trips are planned: in January, to Brussels (for Nato), Prague, Moscow and Minsk, and Geneva (for Assad of Syria); in June, for the 50th anniversary of the Normandy landings; in July, to Italy for the G7; and in November, to Budapest for the Conference on Security and Co-operation in Europe. He will also attend the next Apec summit in Indonesia at a date still to be fixed. The summit with South American leaders will, at least, be in Washington.

If "being there" is any guide, and with foreign policy problems far more intrinsically important than Haiti and Somalia looming, he will do well to keep even half his eclectic mind on the home hearth.

Will Hong Kong's economy be damaged?

Alexander Nicoll writes: Hong Kong's financial markets appeared in 1993 to be oblivious to the deadlock between Britain and China over electoral reform proposals by Mr Chris Patten, the governor. They are operating as though the territory is already part of China – of which it will be a Special Administrative Region from mid-1997. Logic suggests that China, with an enormous financial stake in Hong Kong's prosperity, will not act to undermine it – but logic may not always overcome the passions which Hong Kong stirs in Beijing.

Although Mr Patten's proposals are now destined for anguished debate in Hong Kong's Legislative Council, it seems likely that the economy will march on for the time being regardless of bitterness between the present and future patrons. If Sino-British talks on the practical details of the handover do not speed up, however, the transition may be bumpy, which could affect the economy.

Whether the economy will be harmed in the longer term by failure to advance democracy depends on whether Mr Patten is right to contend that basic freedoms underpin Hong Kong's economic success. In any case, its economic performance is increasingly bound up with China's, and thus with whether Beijing can slow its own economic boom without resorting to severe austerity measures.

هكذا من الأصل

Hopes of glory, fears of blood

As South Africa's elections approach, **Patti Waldmeir** takes the pulse of supporters of three different camps

We could not immediately see Isandlwana, as we bumped along the dirt road, admiring the conical peaks and vast blue-green plains of northern Natal, and imagining the great Zulu impi (war party) which spilled so much British blood here in 1879. Then we saw them, descendents of the Isandlwana victors, dressed for urban battle: 10,000 Zulus in street clothes, carrying assegais (spears), knobkerries (clubs) and shields, the same weapons which humbled the British empire, used now to spill blood on township battlefields.

Last month, at the site of their people's greatest military victory, Zulus heard King Goodwill Zwelithini bemoan the Zulu nation's darkest hour. Using the imagery of 19th century colonialism, King Goodwill warned of a new invasion of Zululand, not by a mighty foreign monarch, but by fellow Africans – many of them Zulus – from the African National Congress.

The King, flanked by his uncle, Chief Mangosuthu Buthelezi, called on them to "let the valour and the honour that led to the defeat of the British in this place in 1879, rise up to claim Zulu warriors". "Resist, I command you, resist I implore you," he urged the crowd, which radiated menace. "We will not be ruled over by a constitution that we spurn. We will not be subjugated by a political party which wants to destroy us simply because it wants to rule."

Those who underestimate the power of Zulu nationalism – among them, it sometimes seems, the government and the ANC – would have done well to wander among the assegais and the knobkerries at Isandlwana. For these will be the weapons of the forthcoming election campaign, as much as the posters and the TV adverts and the candidates' debates. And these are the people who could stop elections altogether in parts of Natal and the East Rand townships of Johannesburg, unless they can be persuaded to accept the new constitution.

It was a sobering image for 1994. This will be the year of South Africa's greatest glory – the first all-race elections in history, to be held on April 27. But it will probably also be the year of the worst-ever violence, as electoral passion inspires political rivals to new heights of brutality. Since apartheid's death knell was struck in 1990, some 13,000 people have died in political violence. In the latest incident, four people were shot dead and five wounded in a Cape Town bar on Thursday night. It is probably unavoidable that thousands more will perish next year, whatever the electoral outcome.

Yet the ANC dismisses the Isandlwana spirit, convinced that Chief Buthelezi is a paper tiger who will crumple once his KwaZulu black homeland is deprived of both central government funding and the more nefarious support which they believe is provided by South Africa's security forces. And the ruling National party, erstwhile ally of the Chief, has thrown in its lot so irrevocably with the ANC that it too seems to downplay his importance. "They are going to share power with the ANC. That's all they care about," said an angry official in Chief Buthelezi's Inkatha Freedom party recently. "They won't let anything else get in the way of that. They want to humiliate us."

In truth, it is easy to offend Zulu pride, especially that of Chief Buthelezi. But after decades spent stoking the fires of Zulu nationalism, he has created a force to be reckoned with – and not, as one government minister suggested after a recent round of talks with Inkatha, by "brute force". Force can deal with the lunatic fringes of politics, but not with a party that probably commands a large chunk of support among the 7m Zulus in Natal and elsewhere – not a majority, though polls are unreliable – as well as a growing share among whites. South Africans must hope that the new year brings a political settlement with Inkatha; the success of the elections depends on it.

* * *

Natal is strewn with battlefields, whether from the last century or the last week; and on the day of the Isandlwana celebrations, South Africa's other great dissenting force, the white right wing, gathered to commemorate another Natal battle. At Blood River, some 40km across the eroded plains of Zululand, rightwing Afrikaners celebrated the quintessential victory of white over black in South Africa, the 1838 triumph of 400-odd Afrikaner *voortrekkers* (pioneers) over a Zulu force that swells with the telling, but probably totalled 10,000. This was the great victory of right over might, of Christianity over barbarism, of Europe over Africa. For conservative Afrikaner leaders, it has great resonance with the present battle: Afrikaners are vastly outnumbered by blacks; they believe they are fighting for Christian values against communism; and they think they can get God on their side by vowing a new commitment to a Christian lifestyle weakened by intervening decades of affluence and power.

Gen Constand Viljoen, the retired army chief who addressed the *volk* at Blood River on that day, had planned to make a guest appearance at Isandlwana, to demonstrate the fearful might of a united Boer-Zulu front. He says practicalities prevented him from doing so; the real reason is probably not that simple. But even if Blood River did not come to Isandlwana, the union of rightwing Afrikaners and Zulus is surely the stuff of peace-loving South Africans' worst nightmares. Few think Inkatha and the right-wing white parties could fight an election campaign together (they recently formed a strategic front, the Freedom Alliance, but share few common policies); but if they choose instead to fight *against* the poll, unity would be easier and the threat to elections grave indeed. Not surprisingly, much ANC strategic thinking seems to be focused on ways to split the Freedom Alliance, so far without success.

Even on its own, the white right wing poses a grave threat during the campaign. Not that it commands large numbers – the crowd at Blood River was perhaps one-tenth of that at Isandlwana, and its mood was several times less belligerent – but that its members are heavily armed, well trained (by the South African military, which forced all white men to do military service), and experienced in warfare. Last April, it pushed South Africa to the verge of the abyss by arranging the assassination of ANC guerrilla leader, Chris Hani. A few more well-timed murders would seriously jeopardise stability.

Although the ANC despises Inkatha, it openly fears the white right. Here again, divide and conquer seems to capture the essence of ANC strategy: its leaders have been working hard at negotiations with the more moderate faction of the right to give them what they can call an Afrikaner homeland, or *volkstaat*. This is a bit of semantic chicanery from the ANC, which continues to use the word *volkstaat* while intending to offer no more than limited local autonomy for Afrikaners – not the independent ethnic state the word would imply. They know they will lose the hard right in the end; but the longer they talk, the less time the right has to mobilise against elections.

* * *

Hundreds of miles away in Soweto, on the same December day, Fred Khumalo, an elderly man from Alexandra township, marched proudly in the uniform of the guerrilla army to which he has dedicated his life: Umkhonto we Sizwe, Spear of the Nation, the ANC force. The previous day, at a shebeen (beer hall) in one of Alexandra's desperately poor streets, Mr Khumalo expressed his fears about the ANC "self-defence units" in the township, to one of which he belongs. Criminal elements had infiltrated the SDUs, and some had run out of control. Some SDUs were working closely with police; but others were a threat to peace in a township that has struggled back from the brink of anarchy to something like calm.

Elections will provide renegade SDUs with the ideal atmosphere for mayhem. In many areas, they will prevent campaigning by rival parties altogether, to the disadvantage of parties such as the National party and the liberal Democratic party, which need to extend their support base to blacks if they are to survive in the new South Africa.

Perhaps Mr Khumalo should be given the last word in this survey of gloom, from Isandlwana to Alexandra via Blood River. "I have no bitterness, I don't hate whites," he told me, with emotion in his voice and a pleading sincerity in his eyes. He said how much he was looking forward to the elections. Even if they are only partly free and fair, they will mark a great day for South Africa. Black South Africans have waited centuries for this.

South Africa's dissenting tribes: Zulu warriors, the white, right-wing AWB and the African National Congress

John Authers on the UK government's plans for selective education

In a class of their own

Are grammar schools on their way back? Selective education received its strongest backing for a quarter of a century this week when the UK government announced it would provide funds for schools which may be wholly or partially selective.

In the clearest extension of the government's policy of fostering choice and diversity in education, the Funding Agency for Schools, a government quango, will also be given the power to create schools in areas where there is a shortage of places.

The proposals elicited condemnation from the Labour party and from teachers' unions. Mrs Ann Taylor, the shadow education secretary, described selective education as favouring "the very few at the expense of the vast majority", while Mr Don Foster, her Liberal Democrat counterpart, said: "The measure will increase chaos and division."

Mr Doug McAvoy, general secretary of the National Union of Teachers, said: "The plans will create an elite education for a limited number of pupils. This is not the way to have high-quality education for all of our children."

The proposals probably mean the end of the "neighbourhood comprehensive" which now dominates secondary education. But the UK is unlikely to see a return to the system of grammar schools, secondary moderns, and technical schools, with admissions decided by exams taken at the age of 11, mapped out in the 1944 Education Act.

Instead, the "big idea" of Mr John Patten, the education secretary, is to allow a school system to emerge in response to local demands. But will the reforms create coherent and diverse schooling or a patchwork of provision?

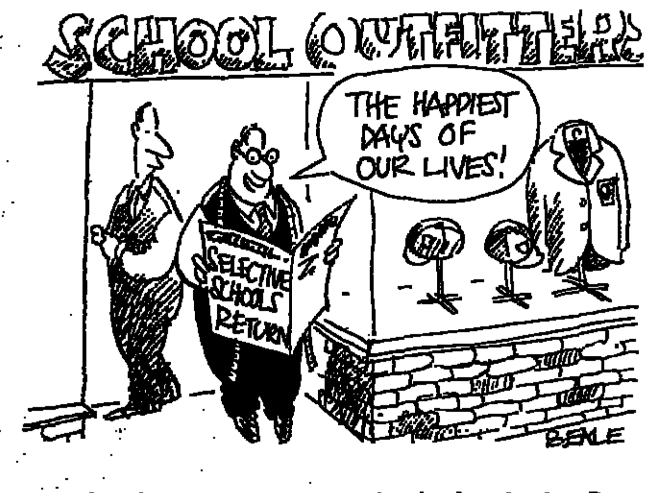
Already, schools and local authorities which dislike the comprehensive system can reject it. More than 1,000 schools have opted out of local authority control in favour of accepting direct grants from the government. This is far fewer than the government hoped – it aimed for 1,500 by April this year – but enough to set a trend.

If a comprehensive school opts out, Mr Patten can allow it to become selective. Or it can choose to become a specialist "technology college" and receive extra funding. Schools may now select up to 10 per cent of their intake on the basis of particular skills – including technology, sport, music and drama.

Wandsworth, the Conservative-controlled London borough, shows the scope schools have to shift from the comprehensive model. By last September, all but four of its secondary schools had opted out.

Of the remainder, Battersea school is now a technology college; Ernest Bevin, a purpose-built boys' comprehensive, wants to admit half its pupils on the basis of academic selection; and Chestnut Grove comprehensive will admit 30 out of its annual intake of 150 on the basis of aptitude for art and design, and another 30 on linguistic ability. Two grant-maintained schools, Burntwood, which is girls-only, and Waveney, which is mixed, are consulting the government about admitting roughly half their intake by selection.

If Wandsworth's proposals are passed, only one local authority comprehensive will be left in the borough. Admissions will be in the hands of the schools, not the council.



The pattern in the rest of the country is less clear, although in Penrith, Cumbria, Mr Patten has shown he wants to encourage selective schools where there is minimal local support.

Last year, he allowed one opted-out school to become a grammar school although the plan was opposed by the head of the town's remaining comprehensive, and despite keen opposition from some teachers, councillors and parents. The result is that both schools are competing fiercely for the most able pupils, and their development strategies are in disarray.

Such confusion raises the deeper question of whether selectivity is the right direction for UK education. Direct comparisons between the results achieved by selective schools and comprehensives offer few clues as the intake of selective schools gives them an in-built advantage.

However, studies into the "value added" by schools – the degree to which pupils improve during their time at a school – suggest selectivity makes little difference. For example, the Audit Commission's study on "value added" in A-level results found "no single type of institution appears consistently more effective at A-level than others".

Surviving grammar schools perform well, but analysis of High Wycombe, Buckinghamshire, home to three of the nation's top grammar schools, indicates their success is grounded in local authority control, rather than competition.

The head teachers of the grammars and the six secondaries in High Wycombe discuss and co-ordinate admissions procedure, while pupils at one school can take courses at another after the age of 16. Buckinghamshire county council retains total control of all admissions. Even the Royal Grammar, which has opted out, allows the county to select its pupils.

The process differs deeply from the brave new design emerging in Wandsworth. It is mistaken, therefore to see the latest reforms as a nationwide return to the postwar system. The changes are not taking education back, but forward into uncharted territory.

Big obstacles remain. Opposition to the government may derail the proposals. Head teachers may not support them, and local communities may not want to set up selective schools. The pupils whose needs are not now being met may find no improvement in the new system. The power to make the changes rests with Mr Patten. His decisions will have far-reaching consequences for children across the UK.

Wiser to be bold

Philip Coggan with a cautionary tale of how small investors fared in 1993

This is the story of two small UK investors. Mr Bold started 1993 by moving his funds into a mixture of equities and gilts; he earned a return of about 22-28 per cent. Mr Cautious kept his money where it had always been – in the building society. He earned about 5.5-6 per cent gross.

So it would be a mistake to think that all British investors will look back at 1993 with satisfaction. Attitudes will depend on the risks they were prepared to take, and the advice they received at the start of the year.

The past three years have proved a shock for British savers. In 1990, interest rates were 15 per cent and it was both easy and profitable to leave money on deposit. In retrospect, the best time to move out of cash and into shares, or government bonds (gilts), was after Saddam Hussein's invasion of Kuwait in August 1990 when the stock market dropped sharply. But few had the nerve, or the incentive, to do so.

Interest rates fell steadily over the next two years, but the most dramatic falls followed sterling's departure from the exchange rate mechanism of the European Monetary System in September 1992. Since then, rates have almost halved, and now languish at 5.5 per cent.

People living off their savings may thus have seen their income fall by more than 60 per cent in the past three years. Economists may argue that "real" interest rates (rates minus the increase in the retail price index) are still positive. But this cuts little ice with savers: their nominal income has been falling, while prices have continued to rise.

It takes time, however, for most savers to react to falling interest rates. In part, this is because few are aware of the rates they receive on their accounts; surveys show that many overestimate returns. Only when the annual interest payment is added to their account does the message sink in.

Not until the start of last year did savers begin to take action to counteract the decline in interest rates. The trend is clear from sales of unit trusts (collective funds which offer investors a spread of equities, or bonds). In December 1992, the unit trust industry made net repurchases from investors of £21.2m. But in January 1993, the trend switched, with net sales of £509m. In the 11 months to the end of last November, net sales were £8.2bn, making 1993 the industry's best.

The key to the success of unit trusts has been the Personal Equity Plan. Income and capital gains made from a Pep are free of tax. But for investors holding shares directly, additional charges imposed by a Pep manager can often wipe out the tax benefits completely, especially after the change in the March Budget change, which reduced the tax credit on dividends from 25 to 20 per cent.

UNIT TRUST NET INVESTMENTS (£m)

1987	6,330.8
1988	1,795.3
1989	3,866.3
1991	391.6
1992	2,769.0
1993	648.9
1993	8,160.0*

*To end November.
Source: Association of Unit Trusts and Investment Funds

The vast majority of unit trusts impose no additional Pep charge. Thus, if savers buy a unit trust, they might as well do so in a tax-free Pep. Unit trusts now dominate Pep sales.

The surge in unit trust sales is linked to low interest rates. The after-tax return of a cash account to a basic rate taxpayer is currently 4.125 per cent. This is not too far ahead of the dividend yield on the FT-A All-Share Index of 3.4 per cent, which the investor can receive tax-free in a Pep. Investors will therefore lose little income by buying a Pep and have the hope of capital gains.

Further, the unit trust industry has done its best to offer yields well above even the best returns from building society accounts. Probably the most successful product this year has been the Hypo F&C Higher Income Plan, which pays a tax-free income of 10 per cent a year when held in Pep form. The structure of the plan has led some critics to question whether an investor's capital could be eroded in the long run. But enough savers were persuaded of its merits for Hypo F&C to attract £450m last year.

A host of other high-income plans were launched in 1993, some where the level of income was guaranteed but the return of capital was not. City regulators were sufficiently concerned to issue a series of guidance notes last month, warning members to ensure that investors were aware of the risks involved in high-income plans.

Unit trusts have not been the only beneficiaries of the search by savers for non-cash returns. Investment trusts which, like unit trusts, are collective funds but which are quoted on the stock market, had their best year for new issues. If the new Lloyd's trusts are included, the sector raised more than £1.1bn. Sales of insurance-linked investment bonds have also increased sharply; Standard Life recently reported that new investment in such bonds had doubled between 1992 and 1993.

Investors have also been buying equities direct. According to ProShare, an organisation set up to encourage wider share ownership, there have been recent increases in the number of individuals owning shares, the overall value of their holdings and the percentage of the stock market owned by private investors.

However, private investors tend to buy shares at the top of the market. The last peak for private investor interest in equities was in 1987, just before the global enqities crash. In part, this is inevitable. The sudden arrival of new money is the very thing that creates a bull market.

But the industry hopes that this market will be different. Mrs Mary Blair, product development director of Fidelity, a leading unit trust group, says that in 1993 the company's best-seller was its High Income fund, which has a conservative mixture of bonds and shares. In 1987, she recalls, it was the aggressive equity funds, often concentrated on the Far East, which attracted most private investor interest.

Mrs Blair also cites developments in the US, where interest rates have been low for the past three years, and money has continued to flow into mutual funds, the US equivalent of unit trusts, at the rate of $1bn a day. This "weight of money" has supported share prices, despite high valuations in historical terms.

The same process could occur in the UK, which has much lower levels of ownership of unit trusts and shares than the US. Mrs Blair hopes the next few years could see a breakthrough into US-style ownership.

Meanwhile, Mr Bold is congratulating himself on his foresight in 1993 and is rather attracted by emerging markets (and in particular, China) this year. Mr Cautious feels the bull market has already run too far, and it is too late to invest in shares. But perhaps the government's Granny Bond, due out this month, might not be too risky.

Commodity's high status in a changing industry

From Mr J M Hobbs.

Sir, As someone who has spent almost 40 years in and around the plantation industry, I was greatly interested in your article about the changes which have occurred during that period ("There was some corner of a foreign field", December 30).

Although I have been much involved with palm oil, and to some extent concerned in the fortunes of tea, coffee, cocoa, and coconut, my first loyalty was always to King Rubber, and it is to this fascinating commodity that I have returned in my later business years. Its status as an industrial commodity today is high, and the services performed by the world markets in ensuring its successful carriage from its tropical home to its manifold consumers are very important. So I make no apology in reminding your readers that behind any growers' association there must be an efficient means of distribution.

This close connection between the agricultural and the marketing sides is, in the case of natural rubber, of long standing, and dates back to 1913, when the Rubber Growers' Association was a founder member of our predecessor, the Rubber Trade Association of London. It is therefore a source of pleasure that the Tropical Growers' Association is planning to join us once more in our offices here, and we should not want it to be felt that, on its journey from "Dickensian offices above a Chinese restaurant" to "cheaper premises in Barking", it is descending into a subterranean world where its presence will be inappropriate.

It should perhaps be mentioned that our association's current chairman is Peter Hadsley-Chaplin, son of Edwin Hadsley-Chaplin, a former chairman of the TGA, which surely demonstrates that the bonds between ourselves and the growers remain strong.

J M Hobbs,
executive director,
The Association of the International Rubber Trade,
Wigham House, 1st Floor,
16-30 Wakering Road,
Barking, IG11 8PG

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Leave job creation and growth in Europe to the entrepreneurs

From Mr Herbert E Meyer.

Sir, With so many "action plans" for European economic growth now on the table, permit me to offer my own. The three-step "Meyer plan" is easy to organise, simple to administer and guaranteed to succeed:

● Step one: organise a conference and invite every unelected official who has proposed a growth plan or thrown his weight behind such a plan.

● Step Two: Shoot them all.

● Step Three: Repeat steps one and two as often as necessary to allow Europe's entrepreneurs the freedom they need to create jobs.

Seriously, what is with you people? The wealth of Europe's great civilisations was not created by bureaucrats armed with grandiose and expensive growth plans. It was created by ambitious, clever, hard-working people who had the grit and the guts to turn ideas and dreams into marketable products and services, thus creating industries and millions of jobs. Europe continues to produce such men – and women – in abundance. Indeed, I meet them all the time. Unfortunately for Europe, I meet them in California or elsewhere in the US where they have settled to work in a country that – despite its current leadership – continues to provide a better political environment in which to achieve commercial success than is available anywhere else in the industrialised world.

For heaven's sake, we are at the end of the 20th century and we know the proper role for government in creating economic growth: it is to establish ground rules, to ensure these rules are obeyed, and otherwise to get the hell out of the way while entrepreneurs make growth happen.

This works all the time; nothing else has ever worked. Why not give this approach a try? More accurately, why not try this approach again, since the last time Europe let its entrepreneurs run free they made it the world's most powerful civilisation, as well as its richest in terms of both material wealth and culture? Isn't this what you want? Or is all this talk of growth merely a cover story, designed to persuade people that something is being done while the real goal – feathering the bureaucrats' nests – continues unabated?

Herbert E Meyer,
chairman,
Real World Intelligence Inc,
PO Box 2089,
Friday Harbour, WA 98250, US

'Art' that is a deception

From Ms Alison Bailey.

Sir, I disagree with Nigel Andrews' assessment ("Feel-good movies give way to darker themes", December 30) of Jane Campion's film, The Piano, as a "feminist" film. I advise women not to see it.

A film which dresses up voyeurism with costumes, clever camera work and nice music and presents it as "art" on the back of Victorian modesty is a deception. A nasty amputation scene which offends feminine feelings is horror tactics dressed up as meaning. I walked out of it.

This is the same macho nonsense but more insidious because it is good to look at and to listen to, most of the time.

Alison Bailey,
68 Chelsea Gardens,
Chelsea Bridge Road,
London SW1

Right way to run a lottery and the premium bonds

From Sir Sigmund Sternberg.

Sir, The answer must be Yes to your question "Would Britain's national lottery raise more money for good causes if it gave its profits to charities rather than to shareholders?" (leading article, December 20).

The lottery will achieve greater popularity if, like almost every other lottery in the world, it is seen to run entirely for the benefit of the community. The lottery should be run to provide maximum money for good causes, rather than to line the pockets of the companies selected to operate the events. Should Lord Young and Richard Branson be the successful bidders, their business achievement and that of their colleagues is a guarantee that it will be run professionally.

If their bid is not selected, opportunity should be given to another group offering non-profit-making services.

Sigmund Sternberg,
Isys,
Hyde House,
The Hyde, Edgware Road,
London NW9 6LH

From R L Webb.

Sir, Am I alone in feeling that the decision to change the premium bond prize structure is likely to be counter-productive ("Top bond prize will rise to £1m", December 17). Certainly my reason for holding premium bonds is so that I have some chance of winning an amount of cash which, while it will not dramatically change my life, would be sufficient to improve the lifestyle of my family.

As far as I am concerned National Savings should increase the number of £100,000 and £50,000 prizes rather than reduce them in order to produce a "millionaire" winner as a marketing gimmick to compete with the pools and the national lottery. Surely National Savings could fund a "unique selling point" which would attract people such as myself who, strangely enough, do not want to be millionaires.

R L Webb,
Woodfield Side,
The North,
Monmouth, Gwent NP5 4QN

Oil services company agrees merger with US cable TV group

A change of channel for Flextech

By Raymond Snoddy

Mr Roger Luard, managing director of Flextech, which yesterday announced agreement to merge with the European programme interests of TCI, the US cable television giant, is the first to admit that he is no media mogul.

When the substantive talks were over with Mr Fred Vierra, executive vice president of TCI – itself in the midst of a multi-billion dollar merger deal with Bell Atlantic, the US telephone company – Mr Vierra hopped on a corporate jet to return to Denver.

Mr Luard, a 45-year former Price Waterhouse accountant, jumped on the train to Gloucestershire and treated himself to a burger on the way home.

The Flextech managing director will have under his wing stakes in cable and satellite channels as diverse as Bravo, the old movies channel, Children's Channel, UK Gold – the channel based on the programme libraries of the BBC and Thames Television – and UK Living.

Yet four years ago Flextech was an oil services company and Mr Luard had no experience in the media at all.

"Business is business. What is this mystique about the media? You control costs and you control margins," says Mr Luard, who began a deal-making career in 1980 with the £52,000 purchase of a Somerset textile company.

The deal was a good one, and unused land was sold for £800,000 and Mr Luard moved on to other deals – some more successful than others – buying boiler and engineering companies before, in 1986, being asked to look at Flextech, an oil investment company whose assets included Expro, a loss-making oil services company.

Mr Luard said yesterday that over three years a £2m a year Expro loss was turned into a profit of more than £6m.

"We had always flagged that we wanted to move into something else. We did not want to be a hostage to the price of oil."

The something else turned out to be the media, which Mr Luard says "has to be a great business" because he believes there is no reason why the UK should be any different from the US and other parts of the US in embracing multi-channel choice.

Flextech's existing media interests include a 24 per cent stake in Hit Entertainment, a successful distributor of children's and nature programming, 50.1 per cent of The Children's Channel, 39 per cent of The Family Channel and a stake in IVS, a company which owns five cable television franchises in the UK covering 285,000 homes.

Under the new deal, Flextech will acquire all the European programme assets of United Artists European Holdings, a wholly-owned subsidiary of TCI. The assets are made up of 100 per cent of Bravo, an additional 24.6 per cent of The Children's Channel, 25 per cent of UK Gold, 31.3 per cent of UK Living, and £44m nominal value loan stock associated with the stakes.

There is also a 100 per cent stake in United Artists Entertainment Programming, a wholly-owned subsidiary of UAEH.

UAEP manages Discovery, the factual channel, The Learning Channel, The Parliamentary Channel and Wire TV, a service exclusive to cable which mixes soaps, games shows, sport and live studio discussions. The subsidiary is also responsible for the sales and marketing of The Country Music Channel.

The Flextech deal will not result in management changes at UAEP and Ms Joyce Taylor, chief executive, and Mr Mark Luiz, chief financial officer, will form the senior management team of Flextech as chief executive of programmming and chief financial officer.

In return, TCI takes a 60.4 per cent stake in Flextech – 62.2 per cent if all financing options are exercised. The TCI stake in Flextech, an Unlisted Securities Market company is valued at just over £200m.

In addition TCI will provide £12.5m in cash and a £10m loan in working capital. There are also agreements on a further £14m in shares and unsecured loan stock.

"It's a very good deal for TCI and for Flextech," said Mr Anthony Fry of NM Rothschild, which represented Flextech.

For TCI the deal provides a more European vehicle for future programme expansion at a time when European ownership and content of cable and satellite channels is becoming an increasing political issue. It also offers a quick valuation for channels that are all still loss-making.

Shareholders, upon whose approval the deal is conditional, were warned yesterday that the performance of the company was very dependent on the future development of cable and satellite. There would be no dividends at least until 1995.

TCI will have three members of the eight-strong board. Mr Adam Singer, vice president international of TCI will become an executive director. Mr Vierra and Mr Stephen Brett, senior vice president, will become non-executive directors.

"This is a most wonderful platform to do other things. It gives us enormous firepower," said Mr Luard, who retains 600,000 Flextech share options at 92p. When the share price was suspended because of the deal it stood at 379p.

£1m income boost for Warburg director

By Catherine Milton

A vice-chairman of SG Warburg Group, the UK-based investment bank, added almost £1m to his income for 1993 after the exercise of options and the sale of bonus shares which together released £961,640.

Mr Michael Gore was assigned to Tokyo as head of the Asia Pacific region earlier this year. The appointment surprised the City because Mr Gore had been the group's finance director since 1986.

Mr Gore joined Warburg in 1964 and is one of the group's three vice-chairmen.

The company told the stock exchange yesterday that Mr Gore executed his rights under the SG Warburg Group Executive Share Option Scheme over 33,559 shares of 25p each on December 29.

The rights were granted in April 1987 at a price of 344.8p.

Also on Wednesday, Mr Gore alerted trustees of the SG Warburg Group Employee Trust of his wish to acquire 67,987 shares in the group.

Under the terms of the SG Warburg Group bonus scheme, shares may be acquired by executives as part of a performance-related pay package.

The shares were acquired at the closing mid-price of 943.5p per share on Wednesday. The total of 101,546 shares were sold at 947p on December 30.

Resort accounts delayed by valuation difficulties

By Catherine Milton

Difficulties in finalising property valuations for Resort Hotels, the company which called in independent accountants to investigate financing issues last July, are behind the long delay in publishing its accounts for the year to end-April.

"Because it has not been possible to determine the finalised valuation of our properties as yet, the accounts of the company for the year ended April 30 1993 are not complete and cannot be laid before you today," Mr David Tonkinson, chairman, told shareholders at yesterday's annual meeting.

Property valuations have become a vexed issue since two firms of chartered surveyors offered widely divergent valuations of the assets of Queens Moat Houses, the troubled hotels company.

There has been speculation that Resort could be suffering similar problems to those at Queens Moat Houses of high debt and falling asset value.

Mr Tonkinson said stock exchange rules prevented him from giving shareholders at the meeting any more information about the affairs of the company, whose shares were suspended last July at 45p, without issuing a circular to all shareholders. That had not been possible.

Mr Tonkinson denied that the company had selected the date and venue for its annual meeting to cause shareholders inconvenience.

He said the meeting was timed for the last day of the calendar year "to leave, until the last possible moment, the opportunity of sending a detailed circular to shareholders, if that had been possible."

He added that the meeting was not taking place in one of the company's hotels as these were all "very busy preparing for tonight's festivities with a view to earning profit".

He said the trade and industry department had granted a new deadline of February 28 for publication of the accounts.

Mr Tonkinson added: "The most rigorous investigations have been carried out, both by Ernst & Young as external independent accountants and by our own auditors and solicitors, Coopers & Lybrand and Gouldens respectively."

In early December the company's deputy chairman, Mr Tim Barker, and its financial adviser, Barclays de Zoete Wedd, resigned.

1993 proves a five-year high with £5.1bn raised through flotations

The transformation of the new issue market over the past 12 months took the City of London by surprise.

At this time last year financiers were worried that the continuing recession and what looked to be high government borrowing would leave room for only a handful of companies to seek a public listing.

In the event, the year's 165 flotations – a five-year high – raising £5.1bn in new capital assuaged these fears but created their own difficulties. There have been doubts about the quality of some stocks as the high stock market became a more lucrative option than trade sales.

Also, investors have become highly selective with the result that some stocks failed to gain support for their issue prices in early trading.

FLOTATIONS 1993

Company	Sector	Flotation date	Flotation price	Market value (£m)	First full day's trading share price at close	1993 close	1993 market value (£m)*
Abacus Group	Electronics	Nov 8	140p	40.56	153p	169p	49.38
Abtrust Lloyds Inv. Tst	Investment Trusts	Nov 24	100p	30.00	98p	94p	28.20
Alders	Stores	Nov 10	170p	174.90	184p	204p	209.88
Anagen	Health/Household	Jun 24	100p	46.50	91p	81p	37.67
Angerstein Underwrit. Tst	Ins Lloyds	Nov 26	100p	67.50	92p	108p	72.90
Atreus	Building Materials	Mar 26	20p	7.22	21p	21p	7.58
Azlan Group	Electronics	Nov 26	230p	50.24	240p	265p	57.88
Badgerline Group	Transport	Nov 26	115p	99.30	115p	120p	104.48
Bakyrchik Gold	Mines	Aug 9	125p	18.75	146p	329p	49.35
Biotrace International	Health/Household	Nov 25	130p	40.05	145p	149p	46.21
Bruntcliffe Aggregates	Other Industrials	May 5	25p	6.23	29	39p	20.88
BSM Group	Business Services	Oct 27	170p	47.40	174p	162p	46.00
Business Post Group	Business Services	Jul 5	133p	60.00	133p	110p	55.00
Canadian Pizza	Food Manufact	Nov 19	200p	34.47	199p	189p	33.43
Cantab Pharmaceuticals	Health/Household	Oct 26	460p	45.25	468p	410p	40.33
Carpetright	Stores	Jun 23	148p	113.66	165.5p	262p	201.22
Celltech Group	Health/Household	Dec 9	250p	176.45	230p	224p	158.10
Celsis International	Health/Household	Jul 6	100p	60.00	101p	103p	61.80
Centregold	Media	Oct 28	125p	50.28	167p	162p	65.57
Charles Sidney	Motors	Nov 10	110p	26.00	110p	113p	26.95
Chelsfield	Property	Dec 21	155p	1212.46	180p	182p	1423.67
CLM Inv. Fund	Investment Trust	Nov 19	100p	86.21	98.5p	106p	91.39
Court Cavendish Group	Health/Household	Jul 13	225p	50.58	207p	227p	51.03
Crabtree Group	Engineering (Gen)	Jun 22	150p	22.20	204p	271p	40.11
Crest Packaging	Pack/Paper/Print	Nov 4	135p	54.00	140p	137p	54.80
Crockfords	Hotels & Leisure	Sep 9	90p	89.96	96p	138p	137.94
David Brown Group	Engineering (Gen)	Apr 15	170p	90.27	207p	248p	140.35
David Lloyd Leisure	Hotels & Leisure	Mar 19	150p	70.39	180p	214p	99.48
Devro International	Food Manufact	Jun 30	170p	224.01	193p	249	328.11
DFS Furniture	Stores	Nov 25	260p	271.06	271p	319p	333.62
Dixon Motors	Motors	May 25	105p	11.84	114p	158p	18.70
Drew Scientific	Health/Household	May 24	105p	25.20	150p	63p	15.12
Enviromed	Health/Household	Jun 28	110p	15.83	118p	131p	18.70
Fenchurch Group	Ins Brokers	Nov 26	180p	63.00	176p	179p	64.05
Field Group	Pack/Paper/Print	Jul 7	250p	148.42	279p	305p	178.11
Fine Decor	Miscellaneous	Jun 16	100p	12.48	253p	267p	33.32
Finsbury Underwrit	Ins Brokers	Nov 15	100p	30.00	107p	109p	32.70
Flying Flowers	Stores	Aug 2	65p	4.09	76p	84p	15.25
Gartmore	Investment Trust	Nov 11	168p	338.60	170p	205p	413.17
Hambros Investment Services	Other Financial	Mar 30	138p	86.74	144p	105p	65.99
Hamlet Group	Textiles	Oct 11	130p	38.79	139p	154p	45.96
Hiscox Select Inv. Fund	Ins Composite	Nov 11	100p	30.00	110p	109p	32.70
Holliday Chemical Holdings	Chemicals	Apr 8	195p	160.68	213p	158p	131.28
Hozelock Group	Miscellaneous	Nov 25	250p	59.47	250p	249p	59.24
Independent Insurance Grp	Ins Composite	Nov 22	225p	98.50	225p	284p	123.45
Inveresk	Pack/Paper/Print	Jun 2	150p	78.84	172p	183p	96.18
Lilliput Group	Miscellaneous	Nov 25	135p	31.41	125p	115p	26.76
Litho Supplies	Pack/Paper/Print	Nov 22	190p	50.04	192p	236p	62.30
London Industrial	Property	Dec 15	320p	29.29	336p	354p	32.41
Masthead	Ins Composite	Nov 23	100p	40.25	97.5p	108p	43.07
Metrotect	Other Industrials	Jun 28	108p	26.04	133p	119p	28.69
Motor World Group	Motors	Feb 11	210p	27.67	275p	343p	45.19
Nelson Hurst	Ins Broker	Dec 16	140p	63.28	143p	148p	66.90
New London Capital	Ins Lloyds	Nov 22	100p	60.00	96p	99p	59.40
Northern Ireland Elec PP*	Electricity	Jun 21	100p	164.60	126.5p	267p	444.42
OGC International	Oil & Gas	May 31	130p	78.00	130p	142p	85.20
On Demand Information	Miscellaneous	Dec 2	78p	39.78	117p	113p	57.11
Parkdean Leisure	Hotel & Leisure	Oct 14	120p	11.99	128p	133p	13.19
Phonelink	Electronics	May 31	155p	54.99	155p	364p	129.15
Policy Portfolio	Other Financial	Jul 7	130p	10.40	140p	105p	8.48
Premium Trust	Investment Trusts	Dec 10	97p	19.21	94p	99p	19.40
Premium Underwriting	Ins Lloyds	Dec 10	107p	14.12	109p	122p	16.10
Quadramatic	Engineering (Gen)	Jul 20	123p	36.37	128p	180p	53.22
Quality Software Products	Electronics	Mar 30	380p	29.64	537p	405p	35.57
Quayle Munro	Other Financial	Jun 11	118p	4.74	133p	158p	6.35
Regent Inns	Brewers	Apr 29	135p	13.19	151p	214p	31.36
RJB Mining	Other Industrials	Jun 7	250p	102.75	234p	321p	130.29
Rossmont		Dec 23	11p	0.00	11p	11.5p	0.00
Roxboro Group	Electronics	Nov 9	230p	80.53	250p	284p	99.44
Royal Doulton	Health/Household	Dec 2	193p	105.98	207p	228p	125.75
RPC Group	Pack/Paper/Print	May 28	125p	74.95	159p	173p	103.73
Ruberoid	Building Materials	Nov 25	150p	72.34	163.00p	177p	85.36
Scotia Holdings	Health/Household	Oct 25	290p	180.81	316p	285	177.69
Securitised End		Dec 22	60p	9.09	60p	61p	9.24
Sharelink Inv.	Other Financial	Jul 30	250p	42.13	288p	402p	68.25
Shield Diagnostics	Health/Household	Sep 23	112p	20.82	116p	78p	14.50
Stagecoach Holdings	Transport	Apr 27	112p	134.40	124p	169p	204.93
Syndicate Capital Tst	Ins Lloyds	Nov 25	100p	32.41	93p	96p	31.11
Telspec	Electronics	Dec 9	160p	50.74	181p	192p	60.89
Towry Law	Other Financial	Nov 11	190p	28.98	195p	204p	31.11
Trio Holdings	Other Financial	Jan 12	50p	27.80	64p	61p	33.92
VHE Holdings	Contracting	Sep 20	115p	36.92	119p	118p	37.88
Virtuality Group	Electronics	Oct 19	170p	44.43	289p	331p	86.51
Westminster Health Care	Health/Household	Apr 15	260p	132.60	287p	338p	172.38

*30/12/93 market value. PP: Part paid.

Midland & Scottish in rig deal with Trafalgar

By David Blackwell

Midland & Scottish Resources, operator of the Emerald oilfield east of Shetland, has successfully completed negotiations with Trafalgar House over the leasing of the rig Emerald Producer.

Mr Jon Hawksley, managing director, said yesterday the company would be making an announcement about the new arrangements next week.

He would not comment on reports that creditors of the group's two subsidiaries operating the field would be asked to agree to a creditors' voluntary arrangement, or rescue scheme. He denied that the parent company would seek such an agreement.

The Emerald field, which was initially expected to produce 30,000 barrels a day, has proved extremely disappointing. It started in August 1992 with production of 25,000 barrels a day, but this has dwindled to 16,000 barrels a day.

Last August Midland wrote off the entire value of the development. The provision of £97m put it £113.6m in the red for 1992 on turnover of £28.1m.

In September the company defaulted on its charter payments to Trafalgar for the Emerald Producer, which it was leasing for $65,000 (£44,000) a day. Last month Trafalgar, which at the end of September had the rig on its books at £66m, wrote down the value by £42.1m and made a £9.5m provision for costs pending its redeployment or sale.

Mr Hawksley said yesterday that the life of the Emerald field would now depend on when the rig and equipment could be redeployed. Opportunities were available, including in the UK sector. He estimated the field's life at between six and 18 months. The company has prepared a plan for abandoning the field at a cost of $11m.

The shares closed yesterday at 2¼p, down ¼p.

The company's main asset apart from Emerald is a floating oil production vessel under construction in Italy at a cost of $350m to $400m.

NEWS DIGEST

Danka expands in US

Danka Business Systems, the acquisitive office equipment supplier based in the US and quoted in London, has expanded its operations in the Chicago, Illinois, area via the acquisition of American Office Equipment Company for a maximum $9.3m (£6.28m).

AOE, an authorised copier dealer for Sharp, Ricoh and Mita, has 11 branches throughout the Chicago metropolitan area and in northern Indiana, and represented, said Mr Daniel Doyle, Danka chief executive officer, his company's entry into the copier market in that region.

He added that the acquisition would serve as a new base of operations in the US Midwest.

In its most recent financial year, AOE had sales of $28m, operating profits of $1m and net assets of $2m. The purchase price comprises $8.3m cash and a contingent consideration of up to $1m dependent on future earnings.

In the six months to September 30, pre-tax profits at Danka soared 91 per cent to £13.3m on the back of exchange rates and a series of acquisitions.

During the half, it spent some £36m on 13 companies, including its first in the UK.

In October Danka made an $86m share issue and refinanced its long-term borrowings.

New chairman at Wedgwood

Mr Anthony JF O'Reilly has been appointed non-executive chairman of Waterford Wedgwood in succession to Mr Donald P Brennan, who has been appointed deputy chairman.

Also Mr Robert H Niehaus has been appointed to the board of Waterford Wedgwood UK and succeeds Mr O'Reilly as non-executive chairman of that company.

Thornton £3m zero pref placing

Thornton Pan-European Investment Trust is to raise some £3m net of expenses via a placing of zero dividend preference shares at 50p apiece.

It is also proposed that the life of the company be extended by about eight years to October 31 2001.

The new shares have been placed with institutions, subject to a clawback by qualifying shareholders on the basis of one new preference share for every three ordinary held.

The zero dividend preference shares are designed to offer investors a return of 90.83p each on the new winding up date, which represents a gross redemption yield of 8 per cent on the subscription price.

Following the introduction of zero dividend preference shares, the existing ordinary shares are to be redesignated as ordinary income shares.

For shareholders who wish to realise their investment in the company, Olliff & Partners, adviser to the proposals, is making a cash offer which amounts to 101 per cent of formula asset value.

Scottish Heritable wins US judgment

Scottish Heritable Trust, the mini-conglomerate, has won an $8.5m (£5.7m) judgment in the US courts in respect of a claim against KPMG Peat Marwick regarding the acquisition of a 50 per cent stake in Rangaire Corporation in 1988.

The Federal Court jury in Dallas, Texas, found in favour of the company after a trial lasting four weeks. The claim filed by SHT alleged that audited financial statements of Rangaire, upon which the company made its decision to purchase a stake, were materially mis-stated.

The jury found that the auditors had not committed fraudulent violation of US securities laws, but had been negligent in its audits of Rangaire in 1987 and 1988.

The timing of the receipt of the award is dependent on whether or not an appeal is made. SHT anticipates that it will realise about £3.5m after expenses.

Refinancing talks with its bankers are continuing and a further announcement will be made early in 1994. As a result of these talks, it has been decided to change the company's year end to March 31.

British Polythene shifts Alida assets

The tangible fixed assets and investments of British Polythene Industries' wholly owned subsidiary, Alida Holdings, have been transferred to other companies within the group.

Alida has an outstanding listed security of 1.6m 9.25 per cent redeemable £1 preference shares. An interest bearing loan from BPI will provide guaranteed income for Alida to service the preference dividend. It is not intended that Alida will conduct any other form of business or transactions.

Greycoat rights gets 95.6% take-up

Greycoat, the property company, announced a 95.58 per cent take-up of its rights issue, with acceptances by ordinary holders in respect of 563.1m new ordinary shares.

In addition, 49.07m new ordinary shares – representing 98.14 per cent of shares offered to preference holders – have been taken up.

All new ordinary shares not taken up by provisional allottees or their renounces have been sold in the market at 18p per share.

Healthcare shares suspended

Healthcare Holdings is currently in talks with several parties which may lead to a "significant corporate transaction" in the first quarter of 1994.

At the same time, directors are in talks with the company's secured lenders and certain unsecured creditors regarding a possible restructuring of its obligations.

Given the "substantial impact" the discussions may have upon the company's finances and trading prospects, directors have decided to delay the publication of results for the 18 months ended June 30 last, pending their completion, and have requested a suspension in dealings in the ordinary and preference shares.

Tarmac redeems pref shares

Tarmac, the construction group, yesterday redeemed its outstanding $150m redeemable preference shares.

In addition, swap arrangements associated with the redeemable preference shares have been determined at an after tax cost of $27m (£18.2m).

That figure, some $3m less than anticipated in the rights issue circular in September, will be treated as a distribution in Tarmac's accounts for the year to end-December.

Tarmac's shares rose 5½p to 172½p.

Goldsmiths trading 'very good'

The directors of Goldsmiths Group, the quality jewellery retailer, stated that trading in its 111 outlets throughout the UK for the month to December 24 was "very good" with sales up 13 per cent compared with last year.

Sales for the 10 months to that date were ahead by 11 per cent and the directors believed that results for the period ended January 29 1994 "will show a profit in excess of market expectations."

MONTHLY AVERAGES OF STOCK INDICES

	December	November	October	September
■ FT-SE Actuaries Indices				
100 Index	3313.7	3111.6	3125.1	3028.1
Mid 250	3662.1	3456.2	3493.1	3450.2
350 Share	1649.5	1550.7	1559.6	1517.6
Industrial Group	1629.05	1537.23	1549.16	1526.81
500 Share	1733.10	1643.34	1653.67	1623.43
Financial Group	1300.30	1192.41	1202.11	1130.84
All-Share	1628.68	1535.11	1544.81	1505.06
Eurotrack 100	1423.55	1349.68	1339.43	1279.00
Eurotrack 200	1496.00	1414.20	1412.29	1358.58
■ FT Indices				
Government Securities	106.56	103.12	102.60	101.97
Fixed Interest	130.14	123.87	124.22	123.75
Ordinary	2492.5	2357.9	2363.6	2348.4
Gold Mines	245.3	236.5	210.2	171.2
SEAQ Bargains	33,915	29,057	32,100	29,465

	Highest Dec close	Lowest Dec close
FT-SE 100	3462.0 (29th)	3223.9 (2nd)
FT-SE Mid 250	3807.0 (29th)	3565.6 (1st)
FT-SE A 350	1721.5 (29th)	1605.2 (2nd)
FT-A All-Share	1698.75 (29th)	1585.90 (2nd)
Ordinary	2598.7 (29th)	2429.8 (7th)

Euro Disney shares fall after threat of closure

By Alice Rawsthorn in Paris

Michael Eisner, chairman of US parent Walt Disney

Euro Disney, the struggling leisure group, yesterday saw its shares fall sharply after Mr Michael Eisner, chairman of Walt Disney, its US parent company, confirmed that the Euro Disneyland theme park may close unless Euro Disney is recapitalised.

The shares have been volatile since November when Euro Disney announced an unexpectedly heavy net loss of FFr5.3bn ($900m) for the year to September 30. They closed yesterday at FFr30.40, down from FFr33.00 on Thursday.

Mr Eisner said in an interview with Le Point, the French weekly current affairs magazine, that the park's closure would be a possibility if Euro Disney failed to reach agreement with its creditor banks for an emergency restructuring of its FFr20.3bn net debt.

"If we can reach a reasonable agreement ... then Euro Disney will continue, that would be a happy ending in the Disney tradition," he said.

"Otherwise we'll have a much more difficult ending. If the engine of an aeroplane breaks down in mid-flight, what are your options? At the moment anything is possible, including closure."

The Disney chairman was ambivalent about the prospects for the negotiations. "Some days I think we'll pull it off, other days not," he said. "There are more than 50 banks involved in this affair and it's difficult to predict what such a big group will do."

Mr Eisner was repeating earlier warnings from Disney executives to the creditor banks that Euro Disneyland could close if the restructuring talks fail.

Euro Disney is expected to run out of cash imminently and its parent has promised financial support until the March 31 deadline for the end of restructuring negotiations.

Analysts dismissed yesterday's share price fall as nervousness among investors.

"All it does is underline the fragility of this stock," said one. However, the pressure on Euro Disney's shares could pose a problem for the company's hopes of securing the restructuring, given that Disney envisages including a rights issue in the rescue package. Further falls in Euro Disney's shares would reduce the prospective proceeds of a rights issue.

Disney, which hopes the final package will halve Euro Disney's debt to FFr10bn, would then face the task of persuading the banks to convert more of their debt into equity or of persuading new shareholders to invest in its stricken European subsidiary.

US tobacco group lifts Kazakhstan interest

By Frank McGurty in New York

Philip Morris has agreed to take a majority stake in Alma-Aty Tobacco Kombinat, a cigarette manufacturer in the former Soviet republic of Kazakhstan, according to Interfax, the Russian news agency.

The $310m investment in the operation, in which the US group already owns a 49 per cent interest, underlines the importance of international markets to the troubled US food and tobacco group.

Philip Morris would acquire 97 per cent of ATK, while the Kazakh government would retain "a golden share", the news agency said.

The investment includes $48.9m to acquire the equity, a $50m bonus to be paid to the Kazakh government, and about $210m in spending to improve production, tobacco growing and processing.

In September, Philip Morris agreed to buy a minority interest in the enterprise and said it would lift its stake to more than 90 per cent within a year. The deal represented the first in which a foreign company had taken a significant stake in a privatised enterprise in the former Soviet republic.

The Kazakh acquisition is the latest in a series of moves in which Philip Morris has sought to bolster its presence in foreign markets, which account for a greater percentage of its tobacco revenues than the US. The company has equity interests in tobacco operations in Russia and Lithuania.

Along with other US tobacco groups, Philip Morris's domestic revenues have been hit by declining cigarette consumption.

Profits from foreign sales, meanwhile, have grown at a faster pace than domestic earnings, partly because of the increasing popularity of cut-price no-frills brands.

The investment in Kazakhstan is intended to flood the region with American-quality cigarettes. As part of the agreement, ATK will manufacture Marlboro and other leading Philip Morris brands, as well as local cigarettes.

Rothmans Asia plan thwarted

By Philip Rawstorne

Rothmans International's radical plans to merge its tobacco operations in Hong Kong, Singapore and Malaysia into a single company have been rejected by shareholders in the Malaysian company.

The vote dealt a heavy blow to Rothmans' ambitions to strengthen its position in the developing cigarette markets of the Pacific Rim.

Independent directors of Rothmans of Pall Mall (Malaysia) – 50 per cent owned by the international group – had recommended the merger, which had earlier been agreed by shareholders in Rothmans Industries of Singapore.

Mr Anthony Jones, managing director of the Malaysian company, said he was "very disappointed" by the rejection.

Shareholders' concerns had been adequately addressed at meetings during the past week, he believed. "Frankly, I'm a little nonplussed at the result."

Rothmans has not disclosed details of the shareholders' objections but they are understood to have argued strongly for maintaining an independent Malaysian company rather than pooling resources in a regional operation.

Leading dissenters are believed to include the Malaysian government's main investment arm, which holds 17.87 per cent, and the armed forces retirement fund, with 8.79 per cent.

Analysts, who expect shares in the Malaysian and Singapore companies to fall sharply when trading resumes on Monday, said investors may also have been worried about dilution of their stakes in the merger and the prospect of slow returns from new markets.

Rothmans, which would have owned 50 per cent of the new company, with the rest split between Malaysian and Singaporean shareholders, said the restructuring would have caused initial dilution of earnings but held out the prospect of higher future dividends.

The group now has to decide whether its plans can be revised to win Malaysian support or to continue its merger of the Hong Kong, a wholly-owned unit, and Singapore interests without Malaysia.

Mr Jones, however, conceded yesterday that "without Malaysia in the mix, it's not as attractive an option. Malaysia was very central."

Rothmans' merger strategy – launched last February – would have enabled the group to concentrate cash resources and management expertise to accelerate the exploitation of the region's cigarette markets.

The Hong Kong operation holds rights to markets in China, which accounts for a third of world cigarette consumption with 1,700bn cigarettes a year, Japan, Taiwan and South Korea. But high development costs in marketing and establishing sales and distribution networks have so far resulted in trading losses.

The Singapore company has access to growth markets in Thailand, Vietnam, Cambodia, Laos and Burma, as well as estimated cash reserves of £84m ($124m).

Malaysia, with a mature domestic market in which growth is slowing, has an estimated £207m cash.

The merger would thus have created a regional company – capitalised at more than £1bn – with greater potential for future growth than any of its constituents, according to analysts.

AGF chief tipped for new role

By Alice Rawsthorn

Mr Michel Albert, chairman of Assurances Générales de France (AGF), one of the largest French insurance groups, has been tipped as a member of the Monetary Policy Council, the new body which will set monetary policy for the newly independent Bank of France.

Yesterday's Le Figaro, the French newspaper, claimed Mr Albert, 63, was a key candidate for one of the nine seats on the council, which will be responsible for setting interest rate policy under the new system whereby the Bank of France will operate independently of the government.

If Mr Albert accepted the post, he would have to resign from AGF, given that council members will not be allowed to hold other positions in financial or industrial circles.

AGF would not comment yesterday on the speculation about Mr Albert's future.

The Monetary Policy Council will be composed of nine members, including Mr Jean-Claude Trichet, governor of the Bank of France, and his two deputies. The names of the six new recruits will be announced on Wednesday.

Mr Michel Sapin, who was finance minister in the last socialist government, has been cited as another candidate for the council. So too has Mr Alain Prate, who is deputy chairman of the European Investment Bank.

The departure of Mr Albert would mark the end of an era for AGF, which is a prime candidate for privatisation by the Balladur government.

In his 11 years as chairman Mr Albert has turned AGF into one of France's most powerful insurers. He orchestrated the coup in 1992 whereby it expanded into Germany by taking a stake in the AMB insurance group.

Michel Albert: key candidate

Mr Antoine Jeancourt-Galignani, chairman of Banque Indosuez, the investment bank, has been mooted as a possible successor to Mr Albert at AGF, together with Mr Bernard Esambert, former chairman of Compagnie Financière Edmond de Rothschild.

Italian steel group sells subsidiary

By Haig Simonian in Milan

Ilva, the heavily loss-making Italian steel group, has made a further step towards its dismemberment and privatisation with the sale of its Cogne special steels unit.

Cogne, which specialises in stainless steel products, has been bought by Marzorati, a private steel group based in the Ticino region of Switzerland.

No price for the transaction, reported by the Ansa news agency, has been revealed and Ilva was unavailable for comment yesterday.

The Cogne subsidiary is one of a number of Ilva assets for sale as part of the group's restructuring plan. Under the scheme, Ilva has been broken up into separate companies, all of which are to be privatised.

Chief legal strategist at Prudential Securities quits

By Martin Dickson in New York

Mr Loren Schechter, chief legal strategist at Prudential Securities, has resigned from the post and as a director of the firm amid a widening government investigation into a 1980s scandal involving the sale by Prudential of high-risk real estate and energy investments.

Mr Schechter, who will remain an employee of the company, with the title of executive vice-president, had been Prudential's general counsel since 1982.

An internal Prudential memo said Mr Schechter was stepping down at his own request because of "unfortunate and unfair publicity and innuendo" in press reports about the scandal.

Last October Prudential paid $371m to settle charges of "massive misconduct" made by state and federal regulatory bodies over its sale of so-called limited partnerships – pooled investments – which were often portrayed as low risk ventures when they were the very opposite.

Federal prosecutors are now investigating the scandal. The US attorney's office in Manhattan is understood to be investigating the role of Prudential's legal department in vetting sales documents used in connection with the partnerships.

However, Mr Harwick Simmons, chief executive of the firm, said in the internal memo: "I strongly believe Loren has acted honourably in all his dealings with the limited-partnership issue, and that the US attorney's office will take no action once all the facts become clear."

Prudential is expected to look for a new chief counsel from outside the firm.

Olivetti in talks on disposal

By Haig Simonian

Olivetti, the Italian computers group, is in advanced negotiations to slim down its operations in Germany with the possible sale of part of its Triumph Adler subsidiary.

Details of the talks, believed to be under way since November, remain unclear. However, the group stressed that the transaction would not involve Triumph Adler's production, distribution and sales activities. Triumph Adler is best known in Germany for its typewriters and office products.

Olivetti said the talks, with an unnamed German investor group, should be concluded by February.

Olivetti bought Triumph Adler in 1986 from Volkswagen, which took a small stake in the Italian company as part payment. In the past two years, Triumph Adler has undergone a wide-ranging restructuring to staunch heavy losses.

Pharmacia buys rest of FICE

Pharmacia of Sweden has completed the acquisition of Italy's Farmitalia Carlo Erba and Erbamont (FICE) in a SKr3.8bn ($457m) deal, Reuter reports from Stockholm.

Pharmacia took up the option to buy the remaining 49 per cent of the company ahead of an earlier agreed date. Under the original agreement, it would buy the rest of FICE sometime in 1994 or 1995.

The seller was Holdback Holdings, which is owned by a consortium of banks.

The first 51 per cent of FICE was bought in May, Pharmacia said. Procordia, the Swedish diversified company, was split into two companies in the autumn, of which one is Pharmacia, the pharmaceutical company.

Montedison, the Italian pharmaceutical group, owned FICE before the sale in May. It sold its remaining 49 per cent to Holdback Holdings later that month.

COMMODITIES AND BOND PRICES

YEAR IN THE MARKETS

Metals end 1993 in good heart

Despite running into general, year-end profit-taking yesterday, London Metal Exchange base metal contracts mostly ended 1993 with their tails up as traders looked forward to a sustained upturn in global economic activity in 1994. The scars left by a dismal first half were still plain to see, however, with 12-month price falls ranging from just under 7 per cent for zinc to more than 20 per cent for copper. An honourable exception was lead, which ended about 60 per cent up on the year.

Precious metals ended with substantial gains on the year, though gold bulls were still waiting for a decisive breach of the psychological barrier at $400 a troy ounce. Similarly, cocoa and coffee markets, having shaken out some of the speculative gains of recent months, were widely expected to take off again this year.

In contrast, oil traders saw little reason to expect a significant price upturn after a year that saw the Brent blend crude price slump by nearly 27 per cent to a five-year low.

The LME copper market had a very mixed year. An early rise fuelled by Chinese buying was followed by a steep price slide that culminated in a 5½-year low in May and landed several trading houses with huge losses. That was followed by a severe technical squeeze that was alleged to result from manipulation by Sumitomo, the Japanese metals group.

At its height the squeeze pushed the cash price to an $80-a-tonne premium over the three months price. When the squeeze ended in September – as a result, some traders suggested, of behind-the-scenes pressure by exchange authorities – the cash premium quickly turned into a discount, as was more in keeping with the fact that LME warehouse stocks of the metal stood at a 15-year high. By the end of October prices had plunged to six-year lows but they have since recovered by 14 per cent.

The aluminium market, already in the doldrums, had less downside potential than copper at the start of 1993. But as the flood of material from the former Soviet Union continued, it easily fulfilled that potential, the three months price dipping to an eight-year low of $1,040 a tonne at the start of November.

Since then multilateral talks aimed at controlling the glut of material on the world aluminium market have helped sentiment and the market has recovered by nearly $100.

The economic hopes that lifted the base metals from their lows also helped silver, the most "industrial" of the precious metals, which ended the year with its price nearly 40 per cent up. Platinum, also principally an industrial metal, fared less well, reflecting its dependence on the recession-hit Japanese market.

Gold had a relatively good year, its price ending more than 17 per cent higher. And many analysts expected 1994 to see it move substantially above $400 an ounce, a level reached briefly last year. The rise began in earnest in May, following an operation by investors George Soros and Sir James Goldsmith, involving the purchase of shares in Newmont Mining, the biggest US gold producer, by the former from the latter, who used some of the cash to buy gold options.

At the London Commodity Exchange, cocoa set the pace with a second position rise amounting to 65 per cent on the year, despite a recent 12 per cent retracement. The gain was encouraged by expectations of a continued drawdown from world stocks over the next few seasons as consumption growth outpaced production. It was topped up by speculative activity in response toconcern about the political stability of the Ivory Coast, the world's biggest cocoa producer, after the long-expected death of President Felix Houphouet-Boigny last month, and the recent decline has been partly a reaction to the orderly handover of power in that country.

Coffee futures were buoyed in the autumn in anticipation of the producers' export retention scheme, under which they are aiming to hold 20 per cent of their supplies off the world market. Since the scheme has been operating, however, the price gain since the start of the year has been trimmed back from 27 per cent to 16 per cent.

In oil prices the traffic was all one way after the spring as members of the Organisation of Petroleum Exporting Countries proved unable to forge an agreement to bring export quotas down to match flagging demand. And with the coming of the northern winter failing to underpin prices and the prospect of Iraqi crude's return to the market moving ever closer, analysts could see little reason to expect an upturn.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+30,350	to 2,486,375
Aluminium alloy	+240	to 49,280
Copper	+10,275	to 589,500
Lead	+1,625	to 303,650
Nickel	+1,320	to 124,104
Zinc	+15,950	to 906,700
Tin	+1,130	to 20,050

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1107.5-8.5	1125-5.5
Previous	1120.5-1.5	1137-8
High/low		1132/1124
AM Official	1107.5-8.5	1125-5.5
Kerb close		1124-5
Open int.	N/A	
Total daily turnover	N/A	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	961-2	985-90
Previous	976-81	1000-5
High/low		996/992
AM Official	961-2	985-90
Kerb close		991-3
Open int.	N/A	
Total daily turnover	N/A	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	473-4	486-7
Previous	485.5-6.5	499-500
High/low		495/485
AM Official	473-4	486-7
Kerb close		488-90
Open int.	N/A	
Total daily turnover	N/A	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5290-5	5350-1
Previous	5375-85	5430-40
High/low		5420/5305
AM Official	5290-5	5350-1
Kerb close		5300-5
Open int.	N/A	
Total daily turnover	N/A	

■ TIN ($ per tonne)

	Cash	3 mths
Close	4745-55	4795-800
Previous	4875-80	4925-6
High/low		4930/4800
AM Official	4745-55	4795-800
Kerb close		4900-10
Open int.	N/A	
Total daily turnover	N/A	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1001-1.5	1019-9.5
Previous	988-9	1005-6
High/low	1001/1000.5	1030/1004
AM Official	1001-1.5	1019-9.5
Kerb close		1030-1
Open int.	N/A	
Total daily turnover	N/A	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1767-7.5	1788-8.5
Previous	1807-8	1828-9
High/low	1768/1767	1834/1784
AM Official	1767-7.5	1788-8.5
Kerb close		1784-5
Open int.	N/A	
Total daily turnover	N/A	

■ LME AM Official £/$ rate: 1.4794
LME Closing £/$ rate: 1.4794
Spot:1.4794 3 mths:1.4726 6 mths:1.4680 9 mths:1.4638

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Jan	82.95	+0.45	83.05	82.40	1,970	138
Feb	83.05	+0.45	-	-	1,190	23
Mar	83.30	+0.40	83.60	82.30	42,460	4,200
Apr	83.45	+0.40	83.70	83.70	720	-
May	83.60	+0.40	83.80	82.75	7,490	288
Jun	83.70	+0.35	83.75	83.75	623	2
Total					67,647	4,658

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	390.50-391.00	
Opening	390.50-391.00	
Morning fix	390.65	263.685
Afternoon fix		
Day's High		
Day's Low		
Previous close	390.25-390.75	

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month .... 2.86 6 months 2.80
2 months .... 2.81 12 months 2.83
3 months 2.80

Silver Fix	p/troy oz.	US cts equiv.
Spot	345.25	511.50
3 months	349.45	515.20
6 months	353.60	519.45
1 year	361.25	528.60
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	392-395	265-268
Maple Leaf	402.20-404.70	
New Sovereign	91-94	61-64

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	390.8	-	392.5	386.5	61	121
Feb	391.9	-	393.9	391.0	92,171	39,200
Mar	392.8	-	-	-	14,594	1,805
Apr	393.8	-	395.9	393.2	22,549	351
Jun	395.7	-	397.8	395.3	5,590	265
Aug	397.7	-	399.2	397.8	3,779	40
Total					182383	41,983

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	394.9	-	395.0	393.0	2,172	1,037
Apr	397.5	-	398.0	393.5	16,126	2,580
Jul	398.8	-	399.0	397.5	1,983	19
Oct	400.1	-	-	-	224	15
Jan	401.5	-	-	-	118	8
Total					20,623	3,659

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	124.35	-	126.00	124.00	3,839	538
Jun	123.50	-	124.75	123.50	677	169
Sep	123.00	-	-	-	53	1
Dec	122.50	-	-	-	58	-
Total					4,627	708

■ SILVER COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	508.7	-	-	-		81
Feb	510.2	-	-	-		-
Mar	511.7	-	517.0	510.5		12,487
May	514.9	-	520.0	514.0		174
Jul	518.2	-	522.0	518.5		177
Sep	521.6	-	522.5	522.5		95
Total						

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	14.17	-	14.48	14.13	103,885	25,711
Mar	14.50	-	14.78	14.44	65,238	12,373
Apr	14.81	-	15.06	14.76	30,248	3,762
May	15.10	-	15.34	15.08	25,725	3,942
Jun	15.38	-	15.61	15.35	38,617	2,025
Jul	15.63	-	15.83	15.69	17,592	753
Total					418,553	58,985

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	13.20	-4	13.33	13.20	84,318	7,106
Mar	13.40	-2	13.52	13.39	22,892	2,146
Apr	13.68	-2	13.70	13.67	10,839	100
May	13.92	-	-	-	7,387	-
Jun	14.13	-2	14.13	14.12	6,152	16
Jul	14.25	-11	14.25	14.25	5,197	5
Total					140,552	9,244

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	44.16	-	44.95	43.80	11,384	25,335
Feb	44.52	-	45.15	44.10	55,701	19,280
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	38.77	-	39.90	38.30	7,520	12,670
Feb	40.00	-	41.20	39.85	42,972	14,504
Mar	41.59	-	42.50	41.40	32,247	5,543
Apr	45.08	-	45.75	44.90	21,185	2,391
May	45.89	-	46.60	45.60	27,149	1,787
Jun	46.64	-	46.80	46.25	7,710	691
Total					144,029	37,598

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	1222	[illegible]	1225	1225	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

	Close	Prev
BFI	1215	1217

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1131
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1292
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	133
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	349
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	280
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	302
Total						3,971

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,710
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	953
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	109
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	122
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100
Total						5,060

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Dec. 30	[illegible]	931.25
Dec. 31		
10 day average	[illegible]	939.86

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	292
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	942
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	106
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	42
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Total						1,382

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8,334
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,893
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	686
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	482
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	135
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	98
Total						11,828

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
Dec. 30	[illegible]	70.67
Comp. daily	[illegible]	
15 day average	71.73	71.90

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Total					[illegible]	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	20
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4
Total					[illegible]	34

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,149
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,303
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	848
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	971
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	285
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Total					[illegible]	8,356

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,772
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	510
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	369
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	58
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	441
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8
Total					[illegible]	7,438

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,516
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,984
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	348
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	158
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Total					[illegible]	4,017

CLOSED MARKETS
Contracts traded on COMEX, NYMEX, CBT, NYCE, and CSCE contain data for December 30. CME and all London Markets contain data for December 31.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec 31	Dec 30	month ago	year ago
1684.5	1681.7	1634.4	1705.7

■ CRB (Base: 4/9/56=100)

Dec 30	Dec 29	month ago	year ago
226.16	226.56	-	202.76

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	73.450	+.150	73.500	73.225	31,500	4,884
Apr	75.725	-	75.850	75.625	18,005	1,702
Jun	73.850	0.125	74.000	73.800	14,821	1,219
Aug	72.750	0.100	72.900	72.725	7,219	501
Oct	72.900	0.050	72.925	72.875	3,532	187
Dec	73.525	0.075	73.575	73.525	707	12
Total					76,880	8,487

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	45.350	+.100	45.450	45.200	11,206	2,578
Apr	46.850	+.250	47.000	46.600	5,615	1,411
Jun	52.125	0.050	52.450	52.075	4,795	1,087
Jul	52.200	0.100	52.475	52.150	2,109	487
Aug	50.950	0.175	51.200	50.900	1,381	282
Oct	47.850	+.250	48.050	47.775	719	101
Total					26,825	6,069

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	57.150	+.025	57.400	56.500	5,157	1,528
Mar	57.725	+.175	57.950	57.000	1,497	392
May	59.000	+.200	59.300	58.200	1,482	209
Jul	59.100	0.100	59.450	58.650	1,437	130
Aug	57.500	+.350	57.500	56.800	201	33
Total					9,774	2,292

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ **ALUMINIUM (99.7%) LME**	Mar	Jun	Mar	Jun
1125	38	62	27	34
1150	26	49	40	45
1175	17	38	55	59
■ **COPPER (Grade A) LME**	Mar	Jun	Mar	Jun
1750	93	122	13	25
1800	58	90	28	42
1850	33	63	52	64
■ **COFFEE LCE**	Mar	May	Mar	May
1150	72	104	24	54
1200	44	78	47	78
1250	25	59	77	109
■ **COCOA LCE**	Mar	May	Mar	May
900	43	72	33	43
925	32	59	47	55
950	23	49	63	70
■ **BRENT CRUDE IPE**	Jan	Feb	Jan	Feb
1400	2	5	20	85
1450	3	2		132
1500	-	1	-	181

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb) +or-

Dubai	-	
Brent Blend (dated)	-	
Brent Blend (Feb)	-	
W.T.I. (1pm est)	-	

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	-	
Gas Oil	-	
Heavy Fuel Oil	-	
Naphtha	-	
Jet fuel	-	

Petroleum Argus Estimates

■ OTHER

Gold (per troy oz)♣	$390.75	+0.25
Silver (per troy oz)♣	511.5c	-0.5
Platinum (per troy oz.)	$393.50	
Palladium (per troy oz.)	$123.25	-0.15
Copper (US prod.)	86.0c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	12.39r	+0.27
Tin (New York)	N/A	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	118.37p	-
Sheep (live weight)†♠	92.84p	-
Pigs (live weight)	N/A	-
Lon. day sugar (raw)	$289.70	285.50
Lon. day sugar (wte)	$285.50	-1.00
Tate & Lyle export	£294.00	+0.50
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£129.0z	
Wheat (US Dark North)	£175.0	
Rubber (Feb)♥	61.75p	
Rubber (Mar)♥	62.00p	
Rubber (KL RSS No1 Jul)	211.5m	
Coconut Oil (Phil)§	$660.0x	+15.0
Palm Oil (Malay.)§	$422.5z	
Copra (Phil)§	$432.5	
Soyabeans (US)	£208.0y	
Cotton 'A' Index	62.45c	
Wooltops (64s Super)	342p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Apr w Feb. z Jan. v Sep/Oct. t Dec/Jan. x Jan/Feb. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/02	122.0800	-0.170	6.64	6.62	6.80
Belgium		9.000	03/03	118.0000	-	6.36	6.52	6.84
Canada *		7.500	12/03	106.3000	-0.200	6.62	6.73	6.88
Denmark		8.000	05/03	113.0500	-	6.12	6.22	6.43
France	BTAN	8.500	05/98	112.0000	+1.850	4.99	6.05	6.07
	OAT	6.750	10/03	108.2300	-0.040	5.63	5.76	6.00
Germany		6.000	09/03	103.2900	-	5.55	5.68	5.87
Italy		9.000	10/03	103.3400	+1.540	8.49†	8.49	9.48
Japan	No 119	4.800	06/99	111.7590	-0.010	2.37	2.51	2.76
	No 157	4.500	06/03	110.7270	-	3.04	3.12	3.41
Netherlands		6.500	04/03	107.0000	-	5.51	5.66	5.83
Spain		10.500	10/03	115.6000	-	8.12	8.20	8.56
UK Gilts		9.750	01/98	114-21	-1/32	5.61	5.68	6.04
		8.000	06/03	113-16	+2/32	6.10	6.24	6.62
		9.000	10/08	124-24	+5/32	6.39	6.52	6.87
US Treasury *		5.750	08/03	99-21	-8/32	5.80	5.85	5.83
		6.250	08/23	98-24	-6/32	6.34	6.35	6.31
ECU (French Govt)		8.000	04/03	114.1000	-	5.97	6.04	6.41

London closing, *New York opening. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

ECONOMIC DIARY – FORWARD EVENTS

TODAY: Creation of the European Economic Area, joining Austria, Sweden, Finland, Norway and Iceland to the European Union and allowing the 372m EEA citizens to live, work and travel within its borders; EU moves to stage two of the three-step programme to economic and monetary union with creation of the European Monetary Institute; Greece takes over EU presidency from Belgium; in Germany Volkswagen begins four-day week, 20 per cent tax rise on petrol and 13 per cent on diesel, child allowance and unemployment benefits cut, pensions contributions rise to almost one-fifth of gross earnings; Belgian government implements economic crisis package, including three-year pay freeze and benefits cuts.

MONDAY: bank holiday – most markets closed.

TUESDAY: M0 money supply figures (December – provisional); European Commission holds its first meeting of 1994.

WEDNESDAY: UK official reserves (December); agricultural census results for Wales (June 1993); Theodoros Pangalos, Greek deputy foreign minister, addresses European Parliament; chancellor of the exchequer Kenneth Clarke leads a business delegation on a visit to the Philippines (to Jan 10); George Soros, international financier, concludes three-day visit to Israel – he is expected to announce investments in that country.

THURSDAY: New vehicle registrations (November); Bundesbank council meeting; markets closed for the Epiphany holiday in Austria, Cyprus, Finland, Germany (Munich and Stuttgart only), Greece, Italy, Spain, and Sweden; Japanese cabinet to hold year's first meeting;

FRIDAY: Cyclical indicators for the UK economy (November); full monetary statistics (including bank and building society balance sheets) (Nov/Dec); Bill turnover statistics (November); sterling commercial paper (Nov); money market statistics (Nov); London sterling certificates of deposit (Nov); mortgage lending (Nov); French prime minister Edouard Balladur visits Saudi Arabia (to Jan 9).

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	130.90	130.88	-0.06	130.92	130.76	13,312	137,493
Jun	130.28	130.36	-0.02	130.34	130.28	4,661	8,116
Sep	129.50	129.58	-0.02	129.50	129.50	2	2

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Jun
127	-	-	-	0.06	0.12	-
128	-	3.00	-	-	0.18	-
129	-	2.13	2.19	0.13	0.31	-
130	1.12	1.43	1.61	0.28	0.55	-
131	0.50	0.80	1.11	0.65	0.94	-
132	0.16	0.38	0.72	-	-	-

Est. vol. total, Calls 32,285 Puts 9,354 . Previous day's open int., Calls 181,108 Puts 152,036.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101.25	101.35	+0.07	101.36	101.25	4819	130442
Jun	101.26	101.28	+0.07	101.26	101.25	20	1168

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
10100	0.83	1.17	0.48	0.89
10150	0.57	0.93	0.72	1.15
10200	0.37	0.71	1.02	1.43

Est. vol. total, Calls 2131 Puts 1403. Previous day's open int., Calls 172445 Puts 101153

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	103.56	103.58	-0.01	103.58	103.58	20	11994

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	118.50	118.49	+0.01	118.60	118.43	1592	79207
Jun		118.37	+0.01			0	165

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
11800	1.93	3.03	1.44	2.66
11850	1.67	2.78	1.68	2.91
11900	1.42	2.55	1.93	3.18

Est. vol. total, Calls 50 Puts 0. Previous day's open int., Calls 36829 Puts 37979

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	105.27	105.39	+0.12	105.42	105.25	4,063	76,554
Jun	105.18	105.26	+0.15	105.35	105.14	1,447	8,025

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	120-09	120-11	+0-02	120-12	120-07	2316	102112
Jun		118-19	+0-02			0	79

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
120	1-25	1-54	1-03	2-16
121	0-58	1-26	1-36	2-52
122	0-38	1-03	2-14	3-29

Est. vol. total, Calls 3 Puts 32. Previous day's open int., Calls 77011 Puts 39848

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	121.86	121.96	+0.04	121.95	121.86	43	12,284
Jun	-	97.50	-	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	114-16	114-22	+0-03	114-25	114-15	160,927	273,390
Jun	113-15	113-18	+0-01	113-21	113-14	1,308	12,633
Sep	112-16	112-19	+0-02	112-22	112-16	1,877	17,621

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	117.48			117.48	117.45	4	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

UK Gilts Price Indices	Fri Dec 31	Day's change %	Thur Dec 30	Accrued interest	xd adj yield
1 Up to 5 years (24)	130.12	+0.09	129.99	1.91	11.55
2 5-15 years (22)	164.04	+0.10	163.87	2.33	12.85
3 Over 15 years (9)	191.27	+0.17	192.20	1.97	12.63
4 Irredeemables (6)	229.83	+0.16	229.46	1.35	14.71
5 All stocks (61)	158.37	+0.11	158.39	2.15	12.52

Index-linked	Friday Dec 31	Day's change %	Thurs. Dec 30	Accrued interest	xd adj yield
6 Up to 5 years (2)	191.89	+0.03	191.84	1.27	4.28
7 Over 5 years (11)	194.16	+0.14	193.88	0.76	5.24
8 All stocks (13)	192.97	+0.13	192.72	0.81	5.12
9 Debs and loans (66)	153.11	-0.04	153.17	2.30	11.25

Yields	Low coupon yield Dec 31	Dec 30	Yr ago	High	Low	Medium coupon yield Dec 31	Dec 30	Yr ago	High	Low	High coupon yield Dec 31	Dec 30	Yr ago	High	Low
5 yrs	5.57	5.57	7.17	7.22 (29/4)	5.57 (31/12)	5.78	5.78	7.47	7.56 (11/1)	5.78 29/12	5.86	5.87	7.70	7.78 (11/1)	5.86 (31/12)
15 yrs	6.26	6.27	8.17	8.37 (12/1)	6.25 (29/12)	6.38	6.39	8.56	8.83 (19/1)	6.37 29/12	6.59	6.59	8.82	9.11 (20/1)	6.57 (29/12)
20 yrs	6.37	6.38	8.42	8.64 (20/1)	6.37 (31/12)	6.43	6.44	8.74	9.05 (20/1)	6.42 29/12	6.61	6.61	8.91	9.20 (20/1)	6.59 (29/12)
Irred.†	6.52	6.53	8.83	9.05 (20/1)	6.52 (31/12)										
Index-linked	Inflation rate 5%					Inflation rate 10%									
Up to 5 yrs	2.04	2.02	2.55	3.03 (25/6)	1.82 (12/2)	1.20	1.17	1.74	2.31 (17/6)	0.92 (12/2)					
over 5 yrs	2.88	2.86	3.83	3.89 (14/1)	2.86 (31/12)	2.88	2.68	3.65	3.72 (14/1)	2.68 (31/12)					
Debs & loans	5 years					15 years					25 years				
	7.09	7.08	8.88	8.97 (4/1)	7.08 (31/12)	7.45	7.44	9.82	9.94 (19/1)	7.44 (30/12)	7.59	7.58	10.01	10.10 (19/1)	9.38 (10/3)

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 31	Dec 30	Dec 29	Dec 24	Dec 23	Yr ago	High*	Low*
Govt. Secs. (UK)	107.60	107.58	107.56	107.19	107.02	94.34	107.80	93.26
Fixed Interest	132.03	131.71	131.49	131.46	131.27	109.81	132.03	108.67

* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 132.03 (31/12/93), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Dec 30	Dec 29	Dec 24	Dec 23	Dec 22
Gilt Edged bargains	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5-day average	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1993 High	1993 Low
"Shorts" (Lives up to Five Years)						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Over Fifteen Years						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1993: 140.6 and for November 1993: 141.6.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	1993 High	1993 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

CURRENCIES AND MONEY

MARKETS REPORT

$ and £ stronger

The dollar and sterling ended the year on a bullish note yesterday as investors and traders looked forward to further steady growth in the US and British economies, *writes Peter Norman*.

Although London trading was thin, reflecting the closure of markets in Japan, Germany, the Netherlands and Denmark and the virtual cessation of activity in the UK around lunchtime, dealers expected the firm undertone of both currencies to be maintained in the new year.

As the charts show, both the dollar and sterling closed near five-month highs against the D-Mark with the dollar about 7 per cent higher against the German currency since the start of last year and sterling up nearly 4¼ per cent.

Although the D-Mark recovered slightly against the French franc yesterday, rising to FFr3.401 from FFr3.397 on Thursday, it ended 1993 slightly weaker than at the start of the year when it was worth FFr3.404. Since October, the franc has recouped the losses suffered as a result of the July-August crisis in the European exchange rate mechanism.

The yen was another former high-flyer to close the year at a comparatively low ebb. Although the dollar ended 1993 more than 10 per cent down against the yen, its close in London yesterday marked a recovery of about 10 per cent from its mid-August low of Y101.13.

■ Pound in New York

Dec 31	Latest	Prev. close
£ spot	1.4785	1.4782
1 mth	1.4755	1.4735
3 mth	1.4714	1.4689
1 yr	1.4585	1.4579

● Strong economic indicators pointing to fast US fourth quarter growth and mounting expectations that the Federal Reserve will have to raise short-term interest early this year underpinned the dollar in yesterday's thin trading.

The US currency was able to attract buying interest whenever it dipped against the D-Mark or the yen. However, there was a limit to its upwards potential because operators were unwilling to take on large positions in an illiquid holiday market.

The dollar closed in London at DM1.7365, up from Thursday's DM1.7337. However, it was fractionally lower against the yen at Y111.605 against Y111.845. The dollar's slight decline against the Japanese currency reflected some profit-taking on long dollar positions as investors tidied their books ahead of the year's end.

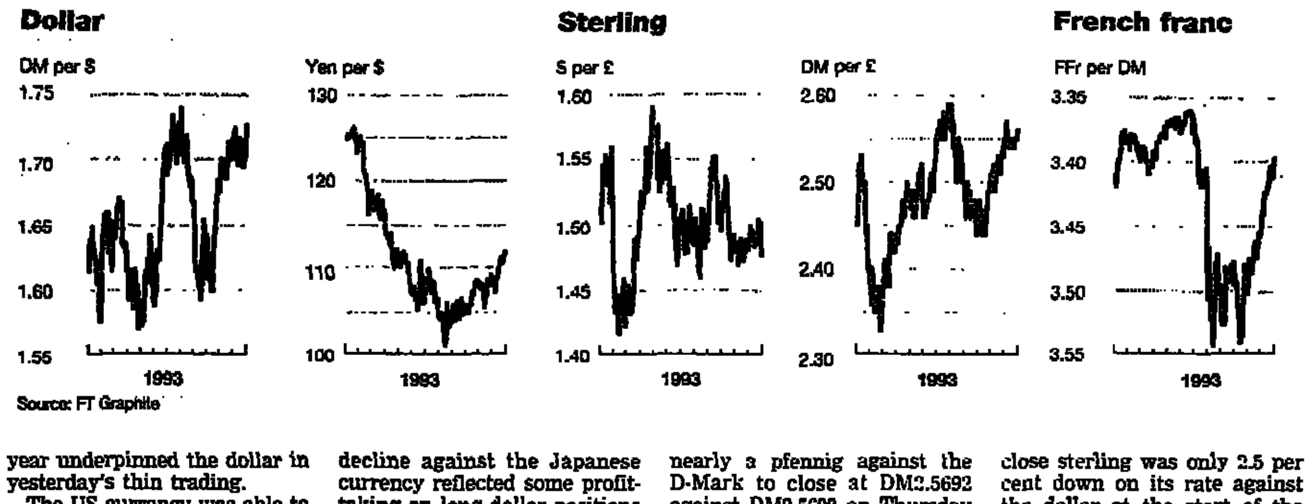
The dollar also continued to be pinned down by sell orders placed by Japanese exporters at around Y112. However, traders pointed to good buying support when the dollar dipped to Y111.5 as an illustration of its strength.

● Sterling rose against both the D-Mark and dollar in London yesterday in spite of an absence of news. It gained nearly a pfennig against the D-Mark to close at DM2.5692 against DM2.5602 on Thursday to end just 2 pfennigs below its late July high against the German currency. It was well up on its D-Mark low for the year of DM2.33 recorded in late February.

The pound moved slightly higher against the dollar to close at $1.4795 yesterday from $1.4768 on Thursday, bringing a year of erratic movements against the US currency to an end.

Although at yesterday's close sterling was only 2.5 per cent down on its rate against the dollar at the start of the year, it fell in mid-February to a low of $1.42 before rising to $1.59 in late April.

● The Bank of England provided the UK money market with £1.705bn of liquidity yesterday compared with its estimate of a £2.2bn shortage. Some £1.545bn of assistance was provided during the course of its regular money market dealings. It provided £160m of late assistance at unspecified rates.



Source: FT Graphite

POUND SPOT FORWARD AGAINST THE POUND

Dec 31		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.0369	+0.0409	290 - 486	18.0774	17.9937	18.0425	-0.2	18.0519	-0.3	-	-	114.0
Belgium	(BFr)	53.4877	+0.236	200 - 553	53.5560	53.3262	53.5577	-1.6	53.6927	-1.5	53.9777	-0.9	113.2
Denmark	(DKr)	10.0531	+0.0667	423 - 639	10.0723	9.9989	10.0682	-1.8	10.0935	-1.6	10.1484	-0.9	115.1
Finland	(FM)	8.5651	+0.0249	504 - 858	8.5890	8.5454	-	-	-	-	-	-	79.7
France	(FFr)	8.7357	+0.0391	305 - 409	8.7523	8.7062	8.7448	-1.3	8.7589	-1.1	8.7752	-0.5	108.4
Germany	(DM)	2.5692	+0.009	675 - 708	2.5728	2.5615	2.5711	-0.9	2.5734	-0.6	2.5727	-0.1	122.9
Greece	(Dr)	368.914	+0.833	419 - 408	369.415	367.775	-	-	-	-	-	-	-
Ireland	(I£)	1.0499	+0.0025	490 - 508	1.0510	1.0471	1.0508	-1.1	1.0524	-1.0	1.0561	-0.6	102.7
Italy	(L)	2532.91	+9.73	057 - 524	2537.36	2528.17	2539.16	-3.0	2551.98	-3.0	2600.36	-2.7	75.8
Luxembourg	(LFr)	53.4877	+0.236	200 - 553	53.5560	53.3262	53.5577	-1.6	53.6927	-1.5	53.9777	-0.9	113.2
Netherlands	(Fl)	2.8736	+0.011	719 - 753	2.8777	2.8675	2.8741	-0.2	2.8747	-0.2	2.8686	0.2	118.7
Norway	(NKr)	11.1271	+0.0463	218 - 323	11.1365	11.0980	11.143	-1.7	11.1409	-0.5	11.1273	0.0	85.3
Portugal	(Es)	261.428	+0.928	044 - 812	261.900	260.850	262.923	-6.9	265.443	-6.1	-	-	-
Spain	(Pta)	211.458	+1.205	201 - 714	211.725	210.850	212.198	-4.2	213.323	-3.5	217.778	-3.0	84.6
Sweden	(SKr)	12.3320	+0.0424	204 - 435	12.3542	12.2810	12.3575	-2.5	12.3875	-1.8	12.508	-1.4	74.1
Switzerland	(SFr)	2.1971	+0.0122	956 - 985	2.2000	2.1851	2.195	1.1	2.1911	1.1	2.1694	1.3	116.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	81.8
Ecu	-	1.3269	+0.0055	259 - 279	1.3289	1.3237	1.3283	-1.3	1.3302	-1.0	1.3339	-0.5	-
SDR†	-	0.927677	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4766	+0.0027	760 - 772	1.4794	1.4727	-	-	-	-	-	-	-
Brazil	(Cr)	474.787	+0.876	611 - 962	476.000	474.000	-	-	-	-	-	-	-
Canada	(C$)	1.9588	-0.0108	576 - 600	1.9686	1.9521	1.9559	1.8	1.9518	1.4	1.9432	0.8	91.8
Mexico	(New Peso)	4.5854	+0.0064	823 - 984	4.6029	4.5844	-	-	-	-	-	-	-
USA	($)	1.4795	+0.0027	790 - 800	1.4824	1.4755	1.4765	2.4	1.4724	1.9	1.4613	1.2	67.7
Pacific/Middle East/Africa													
Australia	(A$)	2.1798	-0.0056	782 - 813	2.1900	2.1755	2.1778	1.1	2.1756	0.7	2.1761	0.2	-
Hong Kong	(HK$)	11.4328	+0.0275	282 - 374	11.4545	11.4027	11.4102	2.4	11.3777	1.9	11.298	1.2	-
India	(Rs)	46.4101	+0.077	888 - 313	46.4950	46.2900	-	-	-	-	-	-	-
Japan	(Y)	165.120	-0.047	027 - 212	165.780	164.820	164.645	3.5	163.78	3.2	159.815	3.2	176.8
Malaysia	(M$)	3.9858	+0.0148	822 - 893	4.0067	3.9737	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6451	-0.0024	425 - 476	2.6508	2.6372	2.6486	-1.6	2.6507	-0.8	2.6519	-0.3	-
Philippines	(Peso)	40.9083	+0.0761	248 - 920	41.3000	40.4950	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5489	+0.0099	448 - 530	5.5590	5.5381	-	-	-	-	-	-	-
Singapore	(S$)	2.3805	+0.0103	782 - 828	2.3831	2.3737	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.0270	+0.0038	242 - 298	5.0357	5.0145	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.3471	-0.0104	375 - 586	6.3570	6.3373	-	-	-	-	-	-	-
South Korea	(Won)	1194.18	+1.63	370 - 466	1196.44	1191.02	-	-	-	-	-	-	-
Taiwan	(T$)	39.3917	-0.0007	710 - 124	39.4700	39.2950	-	-	-	-	-	-	-
Thailand	(Bt)	37.7939	+0.0629	589 - 288	37.8460	37.7140	-	-	-	-	-	-	-

†SDR rate for Dec 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 31		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Morgan G'ty chges %
Europe													
Austria	(Sch)	12.1925	+0.005	900 - 950	12.2045	12.1885	12.2175	-2.5	12.2575	-2.1	12.3625	-1.4	+16.03
Belgium	(BFr)	36.1525	+0.0925	190 - 860	36.1860	36.0800	36.2725	-4.0	36.4675	-3.5	36.9375	-2.2	-0.15
Denmark	(DKr)	6.7949	+0.0325	899 - 999	6.7999	6.7630	6.8171	-3.9	6.8524	-3.4	6.9449	-2.2	+10.16
Finland	(FM)	5.7912	+0.0061	812 - 012	5.7989	5.7782	5.8062	-3.1	5.8249	-2.3	5.8712	-1.4	-
France	(FFr)	5.9045	+0.0155	030 - 060	5.9165	5.8895	5.9227	-3.7	5.9489	-3.0	6.005	-1.7	-7.14
Germany	(D)	1.7365	+0.0028	360 - 370	1.7400	1.7314	1.7412	-3.3	1.7477	-2.6	1.7605	-1.4	+30.75
Greece	(Dr)	249.350	+0.1	100 - 600	249.600	248.900	253.05	-17.8	260.85	-18.4	294.35	-18.0	-
Ireland	(I£)	1.4092	-0.0008	084 - 099	1.4130	1.4067	1.405	3.5	1.3986	3.0	1.3824	1.9	-
Italy	(L)	1712.00	+3.4	100 - 300	1717.00	1710.00	1719.7	-5.4	1733.25	-5.0	1779.5	-3.9	-38.06
Luxembourg	(LFr)	36.1525	+0.0925	190 - 860	36.1860	36.0800	36.2725	-4.0	36.4675	-3.5	36.9375	-2.2	-0.15
Netherlands	(Fl)	1.9423	+0.0039	418 - 428	1.9470	1.9389	1.9466	-2.7	1.9524	-2.1	1.963	-1.1	+20.91
Norway	(NKr)	7.5208	+0.0173	198 - 218	7.5328	7.5050	7.5433	-3.6	7.5635	-2.3	7.6308	-1.5	-18.35
Portugal	(Es)	176.700	+0.3	500 - 900	177.000	176.450	177.965	-8.6	180.205	-7.9	188.15	-6.5	-
Spain	(Pta)	142.925	+0.55	800 - 050	143.050	142.570	143.715	-6.6	144.885	-5.5	149.025	-4.3	-
Sweden	(SKr)	8.3352	+0.0132	302 - 402	8.3672	8.3030	8.3664	-4.5	8.4102	-3.6	8.5452	-2.5	-38.13
Switzerland	(SFr)	1.4850	+0.0055	845 - 855	1.4893	1.4770	1.4865	-1.3	1.4881	-0.8	1.486	-0.1	+26.08
UK	(£)	1.4795	+0.0027	790 - 800	1.4824	1.4755	1.4765	2.4	1.4724	1.9	1.4613	1.2	-28.03
Ecu	-	1.1150	-0.0028	145 - 155	1.1187	1.1135	1.1116	3.7	1.1068	2.9	1.0955	1.7	-
SDR†	-	1.37593	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9981	-	980 - 981	0.9985	0.9970	-	-	-	-	-	-	-
Brazil	(Cr)	320.910	-0.005	900 - 920	320.920	320.900	-	-	-	-	-	-	-
Canada	(C$)	1.3240	-0.0098	236 - 243	1.3310	1.3227	1.3247	-0.6	1.3257	-0.5	1.3298	-0.4	-10.85
Mexico	(New Peso)	3.1060	-0.0015	050 - 070	3.1070	3.1050	3.1077	-0.7	3.1118	-0.7	3.126	-0.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	-9.30
Pacific/Middle East/Africa													
Australia	(A$)	1.4733	-0.0066	728 - 738	1.4739	1.4727	1.4745	-1.0	1.4775	-1.1	1.4856	-0.8	-45.75
Hong Kong	(HK$)	7.7275	+0.0043	270 - 280	7.7280	7.7240	7.731	-0.5	7.734	-0.3	7.7412	-0.2	-
India	(Rs)	31.3636	-0.0052	650 - 725	31.3750	31.3650	31.4488	-3.1	31.6538	-3.6	-	-	-
Japan	(Y)	111.605	-0.24	560 - 630	112.000	111.500	111.51	1.0	111.24	1.3	109.37	2.0	+115.07
Malaysia	(M$)	2.6940	+0.005	925 - 955	2.7100	2.6895	2.697	-1.3	2.705	-1.6	2.7465	-1.9	-
New Zealand	(NZ$)	1.7878	-0.005	867 - 889	1.7690	1.7867	1.7891	-0.9	1.7921	-1.0	1.8003	-0.7	-
Philippines	(Peso)	27.6500	-	000 - 000	27.9000	27.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0003	490 - 520	3.7520	3.7490	3.758	-2.7	3.7705	-2.1	3.7905	-1.1	-
Singapore	(S$)	1.6090	+0.004	080 - 100	1.6100	1.6058	1.6073	1.3	1.6055	0.9	1.6115	-0.2	-
S Africa (Com.)	(R)	3.3978	-0.0037	970 - 985	3.4018	3.3970	3.4141	-5.8	3.4431	-5.3	3.5501	-4.5	-
S Africa (Fin.)	(R)	4.2900	-0.015	850 - 950	4.2950	4.2850	4.317	-7.6	4.375	-7.9	-	-	-
South Korea	(Won)	807.150	-0.4	100 - 200	807.300	807.100	810.15	-4.5	813.65	-3.2	832.15	-3.1	-
Taiwan	(T$)	26.6250	-0.05	200 - 300	26.6700	26.6200	26.6839	-2.7	26.805	-2.7	-	-	-
Thailand	(Bt)	25.5450	-0.005	300 - 600	25.5600	25.5300	25.5725	-1.3	25.62	-1.2	26.07	-2.1	-

†SDR rate for Dec 30. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Morgan Guaranty Changes shown for Dec 30. Base average 1980/82=10

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec.31		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100.	18.79	16.33	4.803	1.963	4735	5.373	20.81	488.7	395.4	23.05	4.107	1.870	3.662	2.767	306.7	2.481
Denmark	(DKr)	53.22	10	8.689	2.556	1.045	2520	2.860	11.07	260.1	210.4	12.27	2.186	0.995	1.949	1.473	164.3	1.320
France	(FFr)	61.23	11.50	10	2.941	1.202	2899	3.290	12.74	299.2	242.1	14.11	2.515	1.145	2.242	1.694	189.0	1.519
Germany	(DM)	20.82	3.912	3.401	1	0.409	986.0	1.119	4.332	101.8	82.33	4.800	0.855	0.389	0.763	0.576	64.27	0.517
Ireland	(I£)	50.94	9.571	8.320	2.447	1	2412	2.737	10.60	249.0	201.4	11.74	2.092	0.952	1.866	1.410	157.2	1.264
Italy	(L)	2.112	0.397	0.345	0.101	0.041	100.	0.113	0.439	10.32	8.350	0.487	0.087	0.039	0.077	0.058	6.518	0.052
Netherlands	(Fl)	18.61	3.497	3.040	0.894	0.365	881.4	1	3.873	90.95	73.59	4.290	0.764	0.348	0.682	0.515	57.45	0.462
Norway	(NKr)	48.06	9.030	7.849	2.308	0.943	2276	2.582	10	234.9	190.0	11.08	1.974	0.898	1.760	1.330	148.3	1.192
Portugal	(Es)	20.46	3.845	3.342	0.983	0.402	969.0	1.099	4.258	100.	80.91	4.717	0.840	0.383	0.749	0.566	63.16	0.508
Spain	(Pta)	25.29	4.752	4.130	1.215	0.496	1198	1.359	5.262	123.6	100.	5.830	1.039	0.473	0.926	0.700	78.06	0.627
Sweden	(SKr)	43.38	8.151	7.085	2.084	0.852	2054	2.331	9.027	212.0	171.5	10	1.782	0.811	1.589	1.200	133.9	1.076
Switzerland	(SFr)	24.35	4.574	3.976	1.169	0.478	1153	1.308	5.066	119.0	96.27	5.612	1	0.455	0.892	0.674	75.15	0.604
UK	(£)	53.48	10.05	8.736	2.569	1.050	2533	2.874	11.13	261.4	211.5	12.33	2.197	1	1.959	1.480	165.1	1.327
Canada	(C$)	27.30	5.130	4.459	1.311	0.536	1293	1.467	5.681	133.4	108.0	6.294	1.121	0.510	1	0.755	84.28	0.677
US	($)	36.14	6.791	5.903	1.736	0.709	1711	1.942	7.520	176.6	142.9	8.331	1.484	0.676	1.324	1	111.6	0.897
Japan	(Y)	324.0	60.87	52.91	15.56	6.360	15342	17.41	67.41	1583	1281	74.68	13.31	6.057	11.87	8.964	1000.	8.038
Ecu		40.31	7.573	6.583	1.936	0.791	1909	2.166	8.387	197.0	159.4	9.292	1.656	0.754	1.476	1.115	124.4	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5735	0.5716	-0.0013	0.5737	0.5715	38,724	117,151
Jun	0.5705	0.5689	+0.0004	0.5705	0.5689	837	3,843
Sep	0.5698	0.5680	+0.0003	0.5698	0.5680	7	191

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6738	0.6714	-0.0016	0.6758	0.6701	20,938	46,005
Jun	0.6710	0.6710	-0.0016	0.6730	0.6701	82	283
Sep	-	0.6732	-	-	-	2	30

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8963	0.8980	+0.0017	0.8987	0.8955	8,530	96,926
Jun	-	0.9004	+0.0001	0.9004	-	271	3,576
Sep	-	0.9053	-	-	-	1	186

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.4716	1.4700	-0.0006	1.4760	1.4700	17,148	27,529
Jun	-	1.4660	-	1.4670	-	678	876
Sep	-	1.4620	-	1.4620	-	4	8
Dec	-	1.4610	-	1.4610	-	1	1

EMS EUROPEAN CURRENCY UNIT RATES

Dec 31	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.790809	-0.000968	-2.20	5.35	15
Netherlands	2.19672	2.16541	-0.00039	-1.43	4.52	-
Germany	1.94964	1.93559	-0.00018	-0.72	3.78	-
Belgium	40.2123	40.2869	+0.0212	0.19	2.84	-1
France	6.53883	6.57745	+0.00323	0.59	2.43	-5
Denmark	7.43679	7.55310	+0.00227	1.56	1.45	-11
Portugal	192.854	197.050	+0.363	2.18	0.84	-15
Spain	154.250	158.928	-0.052	3.03	0.00	-21
NON ERM MEMBERS						
Greece	264.513	277.970	-0.074	5.09	-1.96	-
Italy	1793.19	1909.93	+1.59	6.51	-3.27	-
UK	0.786749	0.755108	-0.001015	-4.02	7.35	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.400	7.28	7.38	7.59	-	0.27	0.75
1.425	4.88	5.33	5.73	0.07	0.65	1.33
1.450	2.78	3.52	4.10	0.39	1.34	2.17
1.475	1.22	2.16	2.77	1.27	2.42	3.28
1.500	0.40	1.21	1.84	2.90	3.90	4.78
1.525	0.08	0.61	1.13	5.05	5.80	6.55

Previous day's vol., Calls N/A Puts N/A. Prev. day's open int., Calls N/A Puts N/A

WORLD INTEREST RATES

MONEY RATES

December 31	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	7 5/8	7 1/4	6 7/8	6 1/2	6 1/8	7.40	5.25	-
week ago	7 1/2	7 1/4	7 1/8	6 3/4	6 1/4	7.40	5.25	-
France	6.50	6 1/2	6 1/4	6	5 1/2	6.20	-	7.75
week ago	6 1/2	6 1/2	6 1/2	6 1/4	5 3/4	6.20	-	7.75
Germany	6.66	6.13	5.88	5.62	5.25	6.75	5.75	6.00
week ago	6.15	6.13	6.08	5.78	5.33	6.75	5.75	6.00
Ireland	6 1/4	6 1/2	6 1/4	5 7/8	5 3/4	-	-	6.75
week ago	6 1/4	6 1/2	6 1/4	5 7/8	5 7/8	-	-	6.75
Italy	8 3/4	8 1/2	8 1/4	8 1/4	7 7/8	-	8.00	8.72
week ago	8 3/4	8 1/4	8 1/4	8 1/4	8 1/4	-	8.00	8.76
Netherlands	5.84	5.74	5.49	5.18	4.90	-	5.25	-
week ago	5.84	5.74	5.60	5.31	5.03	-	5.25	-
Switzerland	6	4 3/4	4 1/2	4	3 3/4	6.625	4.25	-
week ago	4 1/2	4 3/4	4 1/4	4 1/8	3 7/8	6.625	4.25	-
US	2 7/8	3 1/8	3 1/4	3 1/2	3 3/4	-	3.00	-
week ago	2 7/8	3 1/8	3 1/4	3 3/8	3 5/8	-	3.00	-
Japan	2 1/8	2 1/8	2 1/4	1 7/8	1 7/8	-	1.75	-
week ago	2 3/8	2 1/4	2 1/4	1 7/8	1 7/8	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	3 1/4	3 3/8	3 1/2	3 7/8	-	-	-
week ago	-	3 1/4	3 3/8	3 1/2	3 7/8	-	-	-
US Dollar CDs	-	3.05	3.11	3.25	3.59	-	-	-
week ago	-	3.05	3.08	3.17	3.50	-	-	-
SDR Linked Ds	-	3 1/4	3 3/8	3 3/8	3 3/8	-	-	-
week ago	-	3 1/4	3 3/8	3 3/8	3 3/8	-	-	-

3 Month US Treasury Bill Yield, 3.07 Prime Rate 6pc $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 31	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	8 - 7 7/8	7 7/8 - 7 1/2	7 3/8 - 7 1/4	6 7/8 - 6 3/4	6 1/4 - 6 1/8	6 1/8 - 5 13/16
Danish Krone	7 1/4 - 6 3/4	7 3/8 - 7 1/8	7 1/8 - 6 7/8	7 - 6 3/4	6 3/4 - 6 1/2	6 1/4 - 6 1/8
D-Mark	6 1/4 - 6 1/8	6 1/4 - 6 1/8	6 1/4 - 6 1/8	6 1/16 - 5 15/16	5 11/16 - 5 9/16	5 5/16 - 5 3/16
Dutch Guilder	5 3/4 - 5 5/8	5 3/4 - 5 5/8	5 5/8 - 5 1/2	5 1/2 - 5 1/4	5 3/16 - 5 1/16	4 7/8 - 4 3/4
French Franc	9 1/4 - 6 3/4	6 5/8 - 6 1/2	6 1/2 - 6 3/8	6 1/4 - 6 1/8	6 1/16 - 5 15/16	5 5/8 - 5 1/2
Portuguese Esc.	11 7/8 - 11 5/8	12 1/8 - 11 5/8	12 1/16 - 11 13/16	11 13/16 - 11 5/8	11 1/8 - 10 13/16	10 7/8 - 10 5/8
Spanish Peseta	9 1/4 - 9 1/8	9 5/8 - 9 1/4	9 1/4 - 9 1/8	8 7/8 - 8 3/4	8 3/8 - 8 1/4	8 1/4 - 8
Sterling	5 - 4 7/8	5 1/8 - 4 7/8	5 1/2 - 5 3/8	5 7/16 - 5 5/16	5 3/8 - 5 1/4	5 3/8 - 5 1/4
Swiss Franc	6 - 5 1/4	4 3/8 - 4 1/4	4 3/8 - 4 1/4	4 1/8 - 3 15/16	3 7/8 - 3 3/4	3 11/16 - 3 9/16
Can. Dollar	3 5/8 - 3 3/8	3 5/8 - 3 3/8	3 11/16 - 3 9/16	3 7/8 - 3 3/4	4 - 3 7/8	4 3/8 - 4 1/8
US Dollar	3 1/8 - 2 7/8	3 1/8 - 3	3 1/4 - 3 1/8	3 3/8 - 3 1/4	3 1/2 - 3 3/8	3 13/16 - 3 11/16
Italian Lira	10 - 8	8 3/4 - 8 1/4	8 1/2 - 8	8 1/2 - 8	8 1/4 - 7 7/8	8 1/8 - 7 7/8
Yen	2 5/8 - 2 1/2	2 1/2 - 2 1/4	2 3/8 - 2 1/4	2 1/8 - 2 1/4	1 15/16 - 1 7/8	1 7/8 - 1 13/16
Asian $Sing	3 1/2 - 2 1/2	3 1/2 - 2 1/2	3 1/2 - 2 1/2	4 - 3	4 - 3	4 1/4 - 3 1/4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.35	94.35	-0.01	94.35	94.33	5,536	104,218
Jun	94.92	94.90	-0.01	94.92	94.88	2,023	54,235
Sep	95.29	95.30	+0.01	95.30	95.28	1,109	38,820
Dec	95.50	95.51	+0.02	95.51	95.49	670	25,450

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.49	96.49	-	96.49	96.49	248	4828
Jun	-	96.15	-			0	2251
Sep	-	95.84	-			0	731
Dec	-	95.45	-			0	186

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.53	94.55	+0.02	94.56	94.53	5989	214873
Jun	95.08	95.10	+0.03	95.10	95.07	4921	146288
Sep	95.46	95.50	+0.05	95.50	95.46	1682	115352
Dec	95.69	95.71	+0.03	95.71	95.68	1091	64620

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.17	92.17	+0.03	92.17	92.14	1573	47934
Jun	92.61	92.67	+0.09	92.67	92.61	637	23522
Sep	92.94	92.95	+0.01	92.95	92.92	653	22515
Dec	93.12	93.12	+0.02	93.12	93.12	30	4665

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.19	96.19	-0.02	96.22	96.18	4319	36052
Jun	96.55	96.51	+0.01	96.55	96.51	11	11918
Sep	96.68	96.75	+0.03	96.75	96.68	60	5051
Dec	96.74	96.78	-	96.75	96.74	10	623

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.35	94.34	-0.01	94.35	94.34	110	14092
Jun	94.82	94.84	+0.02	94.83	94.82	65	8697
Sep	95.21	95.22	+0.02	95.21	95.19	52	5722
Dec	95.47	95.46	+0.01	95.47	95.47	8	3175

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.49	96.49	-	96.50	96.48	37,754	399,939
Jun	96.14	96.17	+0.02	96.17	96.14	44,034	329,850
Sep	95.83	95.84	-	95.85	95.83	29,984	251,054
Dec	95.42	95.45	+0.02	95.45	95.42	15,947	172,823

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.79	96.79	-	96.79	96.78	1,153	26,573
Jun	96.52	96.52	-0.01	96.52	96.52	1,024	5,452
Sep	-	96.24	-	-	96.24	13	423

All Open Interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9450	0.14	0.63	1.03	0.09	0.03	0.03
9475	0.05	0.42	0.79	0.25	0.07	0.04
9500	0.03	0.24	0.57	0.48	0.14	0.07

Est. vol. total, Calls 537 Puts 512. Previous day's open int. Calls 156607 Puts 73072

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9600	0.24	0.54	0.79	0.05	0.03	0.34
9625	0.09	0.33	0.57	0.15	0.27	0.07
9650	0.03	0.17	0.38	0.34	0.15	0.12

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1153 Puts 2462

LONDON MONEY RATES

Dec 31	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 1/2 - 4 3/4	6 - 5	5 1/2 - 5 3/8	5 7/16 - 5 5/16	5 3/8 - 5 1/4	5 1/4 - 5 1/8
Sterling CDs	-	-	5 13/32 - 5 11/32	5 5/16 - 5 1/4	5 5/32 - 5 3/32	5 5/32 - 5 3/32
Treasury Bills	-	-	5 3/16 - 5 3/32	5 3/32 - 4 31/32	-	-
Bank Bills	-	-	5 7/32 - 5 5/32	5 3/32 - 5 3/32	5 - 4 15/16	-
Local authority deps.	4 7/8 - 5	4 7/8 - 5 1/8	5 1/4 - 5 3/8	5 1/4 - 5 3/8	5 3/8 - 5 5/16	5 - 5 1/8
Discount market deps	6 1/2 - 5 1/4	5 3/16 - 5 3/16	-	-	-	-

UK clearing bank base lending rate 5½ per cent from November 23, 1993

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1 3/4	4 1/4	4	3 3/4	3 3/4

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1pc.
Ave. tender rate of discount 4.8934pc. ECGD fixed rate Stg. Export Finance. Make up day November 30, 1993. Agreed rate for period Dec 26, 1993 to Jan 25, 1993, Schemes II & III 6.90pc. Reference rate for period Oct 30, 1993 to Nov. 30, 1993, Schemes IV & V 5.618pc. Finance House Base Rate 5½pc from Jan. 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.80	94.81	+0.02	94.82	94.76	4762	116615
Jun	94.99	95.02	+0.04	95.02	94.96	1403	83683
Sep	95.06	95.10	+0.04	95.10	95.04	989	61613
Dec	95.06	95.10	+0.04	95.10	95.05	891	47522

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9475	0.17	0.39	0.52	0.11	0.12	0.17
9500	0.07	0.24	0.36	0.26	0.22	0.26
9525	0.02	0.13	0.23	0.46	0.36	0.38

Est. vol. total, Calls 800 Puts 395. Previous day's open int. Calls 97248 Puts 92920

BASE LENDING RATES

	%		%		%
Adam & Company	5.5	Duncan Lawrie	5.5	* Roxburghe Bank Ltd is no longer authorised as a banking institution.	8
Allied Trust Bank	5.5	Exeter Bank Limited	6.5	Royal Bk of Scotland	5.5
AIB Bank	5.5	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.5
●Henry Ansbacher	5.5	●Robert Fleming & Co	5.5	Standard Chartered	5.5
Bank of Baroda	5.5	Girobank	5.5	TSB	5.5
Banco Bilbao Vizcaya	5.5	●Guinness Mahon	5.5	●United Bk of Kuwait	5.5
Bank of Cyprus	5.5	Habib Bank AG Zurich	5.5	Unity Trust Bank Plc	5.5
Bank of Ireland	5.5	●Hambros Bank	5.5	Western Trust	5.5
Bank of India	5.5	Heritable & Gen Inv Bk	5.5	Whiteaway Laidlaw	5.5
Bank of Scotland	5.5	●Hill Samuel	5.5	Wimbledon & Sth West	7
Barclays Bank	5.5	C. Hoare & Co	5.5	Yorkshire Bank	5.5
Brit Bk of Mid East	5.5	Hongkong & Shanghai	5.5		
●Brown Shipley	5.5	Julian Hodge Bank	5.5		
CL Bank Nederland	5.5	●Leopold Joseph & Sons	5.5		
Citibank NA	5.5	Lloyds Bank	5.5		
City Merchants Bank	5.5	Meghraj Bank Ltd	5.5		
Clydesdale Bank	5.5	Midland Bank	5.5		
The Co-operative Bank	5.5	* Mount Banking	6		
Coutts & Co	5.5	NatWestminster	5.5		
Credit Lyonnais	5.5	●Rea Brothers	5.5		
Cyprus Popular Bank	5.5				

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's *Official List the latest recorded business in the four previous days is given* with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ɸ Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £140¾ *(24De93)*

Corporation and County Stocks

London County 2½% Cons Stk 1920(or after) - £33½ (29De93)
Reading Corp 3% Stk 1962(or after) - £40½ (24De93)

Foreign Stocks, Bonds, etc-(coupons payable in London)

Burmah Castrol Capital(Jersey) Ld 9½% Cnv Cap Bds 2006 (Reg £1000) - £155 ½ .58 6 6
Burmah Castrol Capital(Jersey) Ld 9½% Cnv Cap Bds 2006(Br£5000&50000) - £155
Daily Mail & General Trust PLC 8¾% Exch Bds 2005 (Br£1000&5000) - £163
Depfa Finance N.V. 7⅛% Gtd Bds 2003 (Br £ Var) - £104⅛ ¼ (29De93)
EI Enterprise Finance PLC 8¾% Gtd Exch Bds 2006 (Reg £5000) - £109½

Finland(Republic of) 10⅛% Bds 2008(Br£1000&10000) - £125⅞ɸ
Finland(Republic of) 10⅛% Bds 1998 - £116⅝ (29De93)
Guaranteed Export Finance Corp PLC 10⅝% Gtd Bds 2001 (Br£Var) - £125½ɸ
Halifax Building Society 10⅛% Nts 1997(Br£1000&10000) - £112¾
Halifax Building Society Collared Flg Rte Nts 2003 (Br £ Var) - £104 104½ (29De93)
Hanson PLC 9½% Cnv Subord 2006 (Br £Var) - £124¾ 6
Hanson Trust PLC 10% Bds 2006 (Br£5000) - £119¾
Hickson Capital Ld 7% Cnv Cap Bds 2004 (Reg) - 130¼ (29De93)
Hickson Capital Ld 7% Cnv Cap Bds 2004

Nationwide Building Society 8⅝% Subord Nts 2018 (Br £ Var) - £108¼
Norsk Hydro AS 9¾% Nts 2003 (Br £1000&10000) - £116⅝ɸ
RMC Capital Ld 8¾% Cnv Cap Bds 2006 (Br £5000&50000) - £141
Robert Fleming Intl Finance Ld 9¼% Perp Subord Gtd Nts (Br £ Var) - £103⅝
Royal Bank of Scotland PLC 9½% Undated Subord Bds (Br £ Var) - £114.55 ⅝

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

Debenhams PLC 7¼% 2nd Deb Stk 91/96 - £100¼
Debenhams PLC 7¼% Uns Ln Stk 2002/07 - £98 9 (29De93)
Debenhams PLC 7⅞% Uns Ln Stk 2002/07 - £99½ (29De93)
Dewhurst PLC Ord 10p - 71 (29De93)
Elys(Wimbledon) PLC 9¾% Uns Ln Stk 95/99 - £100¼ (29De93)
Emess PLC 6.25p(Net) Cnv Cum Red Prf 5p - 71

Ladbroke Group PLC ADR (1:1) - $2.32
Lamont Hldgs PLC 10% 3rd Cum Prf £1 - 119
Land Securities PLC 9% 1st Mtg Deb Stk 96/2001 - £107½
LASMO PLC 10⅜% Deb Stk 2009 - £126¼
Lebowa Platinum Mines Ld Ord R0.01 - 25 30
Leeds & Holbeck Building Society 13⅜% Perm Int Bearing Shs £1000 - £147¼

Sainsbury(J) PLC ADR (1:1) - $6.65 (24De93)
Scholl PLC 5¼% Cnv Cum Red Prf 2008/11 £1 - 88 (24De93)
Scottish Hydro-Electric PLC Ord 50p - 454 4 5 5 ¼ 6 7 ½ 8 9 60 1 ½ 77 2 4 5 5 ½ 6 6 7 ½ 8 201 9 9 ½ 70 1 2 2 ½ 3 4 ½ ½ 5 5 7 8
Scottish Metropolitan Property PLC 10¼% 1st Mtg Deb Stk 2016 - £123¼ (29De93)
Scottish & Newcastle PLC 7% Cnv Cum Prf £1 - 237 (29De93)

Whitbread PLC 7¼% Uns Ln Stk 95/99 - £101¾
Whitbread PLC 10½% Uns Ln Stk 2000/05 - £115 (24De93)
Whitecroft PLC 5.1% Cum Prf £1 - 50 2 (29De93)
Williams Hldgs PLC 10¾% Cum Prf £1 - 143
Willis Corroon Group PLC ADR (5:1) - $16.999433
Wrexham & East Denb Water Co 4.9% PtPg Ord Stk - £5400 (29De93)
York Waterworks PLC Ord 10p - 325 *(29De93)*
Yorkshire-Tyne Tees TV Hldgs PLC Wts to sub for Ord - 24½ 6

Investment Trusts

Baillie Gifford Japan Trust PLC Wts to Sub Ord Shs - 153
Baillie Gifford Shin Nippon PLC Warrants to sub for Ord - 108 (24De93)
British Assets Trust PLC Equities Index ULS 2005 10p - 170
Clemente Korea Emerging Growth FundShs $10 (Reg Lux) - $15
Danae Investment Trust PLC Wts to Subscribe for 1 Inc & 1 Cap - 70 (29De93)
Fleming Japanese Inv Trust PLC Wts to Sub for Ord - 88 ½ 9 ½ ½ 90 1 1‡
Foreign & Col Invest Trust PLC 7¼% Deb Stk 89/94 - £99½
Gartmore Shared Equity Trust PLC Geared Ord Inc 10p - 127 ½ 8 ¼ 9 9
Glasgow Income Trust PLC Warrants to sub for Ord - 1¾ 2½ (29De93)

Miscellaneous Warrants

USM Appendix

Rule 535(2)

Select Industries PLC New Ord 7½p(2½p Regd) - £0.0275
South Green Hldgs PLC Ord 1p - £0.015
Southern Newspapers PLC Ord £1 - £3.53 3.55
Titaghur PLC Ord 5p - £0.22 0.24 0.24125‡ 0¼ 0.2525‡
Total Repro Ld Ord 10p - £0.6
Tracker Network PLC Ord £1 - £6
UAPT-Infolink PLC Ord 25p - £0.68 0.7 (29De93)
Wentworth International Group PLC Ord 1p - £0.0075 (29De93)
Young Group PLC Ord 10p - £0.0525 (24De93)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Community Psychiatric $13.625 (29/12)
Elec & Eltek Co HK$0.98
Keystone Intl. $26.875 (23/12)
Kulim Malaysia £1.31ɸ1.15
Leighton Hldgs. A$2.25
Oil Search 35.0
Palabora Mining 59.0 (24/12)
Regal Hotels 18.273
Storer Communications SK398.67
By Permission of the Stock Exchange Council

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, December 31, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2500.00	1689.76	973.086	1514.05
Albania	(Lek)	162.47	109.814	63.2375	98.3951
Algeria	(Dinar)	35.2385	23.8164	13.7149	21.3399
Andorra	(Fr Fr)	8.7357	5.9044	3.4001	5.2905
	(Sp Peseta)	211.458	142.925	82.3049	128.063
Angola	(New Kwanza)	9781.30	6611.22	3807.14	5923.75
Antigua	(E Carr $)	3.9879	2.6954	1.5521	2.4151
Argentina	(Peso)	1.4786	0.996	0.5747	0.8942
Aruba	(Florin)	2.6438	1.7869	1.029	1.6011
Australia	(Aus $)	2.1798	1.4733	0.8484	1.3201
Austria	(Schilling)	18.0366	12.1924	7.0211	10.9246
Azores	(Port Escudo)	261.428	176.7	101.755	158.326
Bahamas	(Bahama $)	1.4795	1	0.5758	0.896
Bahrain	(Dinar)	0.5579	0.377	0.2171	0.3378
Balearic Is	(Sp Peseta)	211.458	142.925	82.3049	128.063
Bangladesh	(Taka)	57.7005	39	22.4585	34.9445
Gambia	(Dalasi)	12.4070	8.3859	4.8291	7.5139
Germany	(D-Mark)	2.5692	1.7365	1	1.5559
Ghana	(Cedi)	1159.45	783.677	451.288	702.186
Gibraltar	(Gib £)	1.00	0.6759	0.3892	0.6056
Greece	(Drachma)	368.914	249.35	143.591	223.422
Greenland	(Danish Krone)	10.0531	6.7949	3.9129	6.0883
Grenada	(E Carr $)	3.9879	2.6954	1.5521	2.4151
Guadaloupe	(Local Fr)	8.7357	5.9044	3.4001	5.2905
Guam	(US $)	1.4795	1	0.5758	0.896
Guatemala	(Quetzal)	8.5685	5.7921	3.3354	5.1898
Guinea	(Fr)	1199.75	810.916	466.974	726.593
Guinea-Bissau	(Peso)	7385.00	4991.55	2874.44	4472.5
Guyana	(Guyanese $)	186.10	125.786	72.4349	112.706
Haiti	(Gourde)	17.7240	11.9797	6.8986	10.734
Honduras	(Lempira)	10.8855	7.3575	4.2369	6.5924
Hong Kong	(HK $)	11.4328	7.7274	4.4499	6.9239
Hungary	(Forint)	149.060	100.75	58.018	90.2737
Pakistan	(Pak. Rupee)	44.5181	30.0899	17.3276	26.961
Panama	(Balboa)	1.4795	1	0.5758	0.896
Papua New Guinea	(Kina)	1.4425	0.9749	0.5614	0.8738
Paraguay	(Guarani)	2655.65	1794.96	1033.65	1608.32
Peru	(New Sol)	3.1854	2.153	1.2398	1.9291
Philippines	(Peso)	40.9093	27.65	15.9225	24.7748
Pitcairn Is	(£ Sterling)	1.00	0.6759	0.3892	0.6056
	(NZ $)	2.6451	1.7878	1.0295	1.6019
Poland	(Zloty)	31578.4	21344	12291.1	19124.5
Portugal	(Escudo)	261.428	176.7	101.755	158.326
Puerto Rico	(US $)	1.4795	1	0.5758	0.896
Qatar	(Riyal)	5.3770	3.6343	2.0928	3.2564
Reunion Is. de la	(F Fr)	8.7357	5.9044	3.4001	5.2905
Romania	(Leu)	1918.72	1296.87	746.816	1162.02
Rwanda	(Fr)	211.30	142.819	82.2434	127.968
St Christopher	(E Carr $)	3.9879	2.6954	1.5521	2.4151

Special Drawing Rights December 30, 1993 United Kingdom £0.927677 United States $1.37583 Germany D Mark2.37527 Japan Yen153.898 European Currency Unit Rates December 31, 1993 United Kingdom £0.756108 United States $1.11587 Germany D Mark1.93569 Japan Yen124.732

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate;(k) Buying rate; (l) Luxury goods, (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; ♣ CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a.
Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.Friday, December 31, 1993

هكذا منه الأصل

LONDON STOCK EXCHANGE

MARKET REPORT

Uncertain trend as trading volume dies away

By Terry Byland,
UK Stock Market Editor

New Years' Eve brought a volatile half-session in the UK stock market with the futures market again showing its power by pulling share prices down from a firm opening. Trading volume was thin, however, and little significance could be ascribed to price trends.

The market gained more than 16 Footsie points in early trading, backed by a buy programme from one of the UK securities houses. But the day's peak of 3,445.3 was 35 point short of the year's intra day trading high reached on Thursday and equities turned back sharply when the premium on the Footsie March futures contract crumbled.

The final reading, taken at 12.30pm, showed the FT-SE Index at 3,418.4, down 10.4. The year's closing high of 3,462 was recorded on Wednesday.

Over the year, the Footsie has risen by 20 per cent, or 571.9 points, driven by falling interest rates and growing confidence in economic recovery. Yesterday was also the end of the three week extended Christmas account in the UK equity market, which has brought a gain of 157.1, or 4.8 per cent on the Footsie.

The Christmas account reflected a strong advance in share prices after the November Budget proved much less threatening that some market pundits had feared. It was this renewed surge in equities that caught out at least one leading UK institution which has been forced to cover itself in the futures market this month, thereby driving prices ahead even more strongly.

Account Dealing Dates		
*First Dealings: Dec 13	Jan 4	Jan 17
Option Declarations: Dec 30	Jan 13	Jan 27
Last Dealings: Dec 31	Jan 14	Jan 28
Account Day: Jan 10	Jan 24	Feb 7

*New time dealings may take place from two business days earlier.

The FT-SE Mid 250 Index remained firm yesterday, edging ahead by 4.7 points to 3,791.3, about 15 points under the year's high. Seaq volume, at 277.5m shares, was unexciting, even for a half session. It compared with 554.1m shares on Thursday when retail, or customer business remained high to return a value of £1.30bn.

High retail business has been the most significant feature of this year's bull run in UK equities. Daily value of customer activity has been well above the £1bn mark throughout the period, ensuring profitability at London based securities firms which have been able to pay good salary bonuses to their employees who had suffered in the reduced business levels of past years.

The banking sector continued to outperform yesterday as investors recognised the benefits for future dividends of the decrease in bad debts which has been prompted by falling interest rates and signs of recovery in the UK housing market.

Merchant banks, however, which have been strong beneficiaries of the strength of the world securities markets, had a calm session.

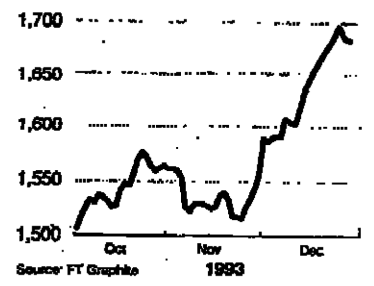
Store shares, still looking for reliable statistics on the Christmas selling season, did little more than hold steady. Breweries and food retailers again suffered from concern over the outlook for price margins and few other consumer stocks made much showing.

Other interest rate-orientated issues, such as building and construction stocks, continued to move forward, however.

Market strategists expressed further optimism for 1994. Mr Nicholas Knight of Nomura, having seen the Footsie come within 20 points of his year-end forecast of 3,500, predicted "excellent conditions for financial assets" in the year ahead, commenting that the UK economy will see growth with very low inflation and thus interest rates.

He is predicting a Footsie at 3,700 by the end of January and at 4,000 by the end of 1994.

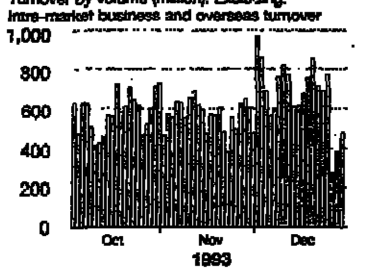
FT-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



Key Indicators

Indices and ratios		
FT-SE Mid 250	3791.3	+4.7
FT-SE-A 350	1703.0	-3.6
FT-A All-Share	1682.17	-3.09
FT-A All-Share yield	3.37	(3.36)
FT Ordinary index	2559.5	-10.9
FT-A 500 p/e	21.98	(22.04)
FT-SE 100 Fut Dec	3426.0	-21.0
10 yr Gilt yield	6.09	(6.10)
Long gilt/equity yld ratio:	1.96	(1.97)

FT-SE 100 Index	
Closing index for Dec 31	3418.4
Change over week	6.1
Dec 30	3428.8
Dec 29	3462.0
Dec 24	3412.4
Dec 23	3396.5
High*	3480.8
Low*	3373.8

*Intra-day high and low for week

TRADING VOLUME

Major Stocks yesterday

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
ASDA Group†	3,400	55½	-1	Lonrho	1,200	129	+1
Abbey National†	1,200	512	-1	Lucas	201	192	-1
Albert Fisher	659	57		MEPC†	192	542	-2
Allied-Lyons†	735	680	-10	MFI	149	163	-1
Anglian Water†	52	592	-1	Manweb	17	757	-2
Argos	70	383		Marks & Spencer†	1,800	453½	-1½
Argyll Group†	839	276	-1	Midlands Elect.	10	720	-1
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GKN	233	528	+1	Tesco†	1,200	213½	-1½
Guinness†	771	477½	-15½	Thames Water†	223	577	
HSBC (75p shs)†	2,500	974	+16	Thorn EMI†	720	990	-6
Hammerson	25	413	-2	Tomkins†	2,200	234	+2
Hanson†	3,800	268½	-3	Trafalgar House	604	93½	+1
Harrisons Crosfield	301	159		Unigate	32	366	
Hays	658	288		Unilever†	465	1203	
Hillsdown	624	159	-1	United Biscuits†	265	367	+1
IMI	18	327		Utd. Newspapers	275	649	+1
ICI†	609	800	-2	Vodafone†	1,900	594	+3
Inchcape†	387	553	-6	Warburg (SG)†	183	931	-3
Johnson Matthey	1,000	538		Wellcome†	401	658	-3
Kingfisher†	570	774	+1	Welsh Water	121	700	-2
Kwik Save	329	618	-6	Wessex Water	48	797	+1
Ladbroke†	2,700	182½	+4	Whitbread 'A'†	142	580	-2
Land Securities†	295	791	-2	Williams Hldgs.†	728	374	+2
Laporte	268	740	+4	Willis Corroon	668	225½	+1½
Legal & General†	621	503	-2	Wimpey	218	189	
Lloyds Abbey	22	429	+6	Wolseley†	185	845	+1
Lloyds Bank†	939	859	-5	Yorkshire Elect.	8	674	-6
LASMO	1,100	116		Yorkshire Water	101	607	-1
London Elect.	59	660	-4	Zeneca†	540	840½	-1½

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. †Indicates an FT-SE 100 Index constituent.

EQUITY FUTURES AND OPTIONS TRADING

Derivatives markets kept investors on the alert until the very end of 1993, *writes Terry Byland.* Although there was no repetition of the OTC expiry of the previous session, the half-day session on New Year's Eve saw a sharp reversal in the FT-SE March futures contract, which was quickly reflected in the underlying equities. However, turnover in futures was light, the March future trading only 5,321 contracts.

Early deals took the contract to the session high of 3,470, from which it fell to a closing 3,426. While at the peak the contract showed a fair value premium of around 7, the closing reading showed a discount of several points.

Volume in traded options totalled 13,835 contracts for the half-session against 28,096 on Thursday. The FT-SE contract fell away to 5,992 from the 15,307 of the previous session. Individual actives were headed by 3,115 contracts in the Euro FT-SE instrument, with Vodafone (622), also busy.

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3442.0	3428.0	-21.0	3471.0	3424.0	6660	65552
Jun	3439.0	3437.0	-22.0	3439.0	3439.0	2	1860

Contract traded on APT. Open interest figures are for previous day.

FT-SE 100 INDEX OPTION (LIFFE) (*3419) £10 per full index point

	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P
Jan	219½	4½	171	7	126	13	86½	23½	51½	42	27	67½	13	106½	6	150½
Feb	234½	12½	191½	19½	150½	28	113½	40½	82	59½	55	84	34	115½	20½	154½
Mar	246½	23½	205	32½	168	44½	132	58½	101½	80½	75	102	51½	130	35½	166
Apr	258	33½	219½	44½	182	56	148½	72½	118	92	92	117	70	146	52	179
Jun†	280½	50			207	75½			145	113			97½	165½		

Calls 3,255 Puts 2,785

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P
Jan	285½	3	237½	4	189½	6½	144½	10½	101½	16	65½	30	37½	51½	19	81½
Feb	304	8	258	12	214	16½	171½	24½	133	35	98½	50	69	70½	45½	96½
Mar	314	16			227½	28½			151½	51			90	88½		
Jun	341	36½			263	56			194½	84½			138	125½		
Sept†	367½	53			293	74½			227½	104½			171½	145		

Calls 928 Puts 2,136 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 31 1992 based on Friday December 31 1993

Gold Mines Index	+303.29	Capital Goods	+32.34	Electricals	+17.82
Property	+81.14	FT-SE Mid 250 ex IT	+31.40	Hotels & Leisure	+17.51
Merchant Banks	+79.99	Motors	+30.52	"500" Share Index	+17.51
Banks	+67.53	Engineering-General	+30.11	Industrial Group	+16.38
Contract, Construct	+59.88	Oil & Gas	+27.52	Business Services	+15.51
Building Materials	+58.37	Stores	+26.73	Other Industrials	+15.31
Engineering-General	+57.94	Telephone Networks	+26.47	Chemicals	+14.60
Electricity	+57.67	Other Groups	+25.42	Conglomerates	+14.05
Metals & Metal Forming	+57.26	Water	+25.13	Insurance Brokers	+10.76
Financial Group	+54.90	FT-A All-Share	+23.34	Food Manufacturing	+7.64
Investment Trusts	+46.39	FT-SE-A 350	+22.65	Textiles	+6.32
FT-SE SmallCap	+37.02	Electronics	+22.51	Consumer Group	+4.79
Media	+35.44	Pack, Paper & Print	+21.19	Brewers & Distillers	+0.63
FT-SE SmallCap ex IT	+33.32	Insurance (Life)	+21.00	Health & Household	-11.46
Transport	+32.74	FT-SE 100	+20.09	Food Retailing	-18.72
FT-SE Mid 250	+32.43	Insurance (Composite)	+19.94		

FT - SE Actuaries Share Indices — The UK Series

	Dec 31	Day's chge%	Dec 30	Dec 29	Dec 24	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1993 High		1993 Low		Since Compilation High		Since Compilation Low	
FT-SE 100	3418.4	-0.3	3428.8	3462.0	3412.3	2846.5	3.44	5.10	24.37	97.16	1251.90	3462.0	29/12	2737.6	19/1	3462.0	29/12/93	986.9	23/7/84
FT-SE Mid 250	3791.3	+0.1	3786.6	3807.0	3773.2	2862.9	3.21	5.01	24.63	95.10	1374.26	3807.0	29/12	2876.3	13/1	3807.0	29/12/93	1379.4	21/1/86
FT-SE Mid 250 ex Inv Trusts	3777.3	+0.1	3772.5	3792.4	3761.1	2874.6	3.34	5.38	23.08	97.74	1364.73	3792.4	29/12	2874.6	1/1	3792.4	29/12/93	1378.3	21/1/86
FT-SE-A 350	1703.0	-0.2	1706.6	1721.5	1696.8	1388.6	3.39	5.08	24.43	47.14	1277.22	1721.5	29/12	1348.7	19/1	1721.5	29/12/93	664.5	1/1/86
FT-SE SmallCap	1868.68	+0.2	1864.90	1858.07	1845.17	1363.79	3.04	3.90	33.09	43.20	1416.67	1868.68	31/12	1377.88	4/1	1868.68	31/12/93	1363.79	31/12/92
FT-SE SmallCap ex Inv Trusts	1818.15	+0.2	1814.02	1806.78	1795.27	1363.79	3.26	4.37	30.18	45.49	1380.67	1818.15	31/12	1380.06	4/1	1818.15	31/12/93	1363.79	31/12/92
FT-A ALL-SHARE	1682.17	-0.2	1685.26	1698.75	1677.01	1363.79	3.37	5.01	24.82	46.11	1283.93	1698.75	29/12	1330.19	19/1	1698.75	29/12/93	61.92	13/12/74

FT-Actuaries All-Share

	Dec 31	Day's chge%	Dec 30	Dec 29	Dec 24	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1993 High		1993 Low		Since Compilation High		Since Compilation Low	
[illegible]																			
59 "500" SHARE INDEX(658)	1783.02	-0.3	1788.28	1803.04	1782.80	1517.38	3.46	5.58	21.98	50.04	1223.13	1803.04	29/12	1474.32	19/1	1803.04	29/12/93	63.49	13/12/74
61 FINANCIAL GROUP(93)	1361.68	+0.3	1357.77	1367.97	1340.47	879.08	3.19	2.98	49.33	35.97	1617.87	1367.97	29/12	868.79	13/1	1367.97	29/12/93	55.88	13/12/74
62 Banks(9)	2006.32	+0.5	1996.94	2017.08	1954.42	1198.82	2.71	3.36	40.18	47.01	1747.59	2017.08	29/12	1183.93	13/1	2017.08	29/12/93	62.44	12/12/74
65 Insurance (Life)(6)	2142.32	+0.1	2140.17	2148.37	2138.57	1770.52	4.29	4.47	28.15	73.50	1266.06	2238.04	1/12	1724.99	13/1	2238.04	1/12/93	44.88	2/1/75
66 Insurance (Composite)(8)	757.07	+0.2	755.32	761.89	754.10	631.22	4.36	‡	‡‡	26.54	1259.26	781.89	29/12	617.22	19/1	768.11	29/12/89	43.96	13/12/74
67 Insurance Brokers(10)	862.04	-0.4	865.43	870.80	866.13	778.33	4.49	4.85	30.11	30.41	1158.49	958.50	10/8	781.21	28/4	1398.56	17/7/87	65.86	16/12/74
68 Merchant Banks(6)	907.70	....	907.70	917.33	915.56	504.20	2.60	6.41	19.15	16.79	1861.70	917.33	29/12	505.48	11/1	917.33	29/12/93	31.21	7/1/75
69 Property(30)	1165.13	-0.1	1166.08	1170.28	1165.91	643.22	3.51	3.31	41.37	32.41	1892.58	1183.84	20/12	638.38	5/1	1398.87	2/5/89	56.01	20/4/65
70 Other Financial(24)	492.42	+0.1	492.05	491.96	490.20	303.44	3.26	5.12	25.60	11.99	1686.19	492.42	31/12	297.66	13/1	603.48	16/7/87	33.29	17/12/74
71 Investment Trusts(110)	1963.14	+0.1	1961.17	1969.90	1949.48	1341.00	2.09	1.69	59.49	32.98	1504.45	1969.90	29/12	1321.21	11/1	1969.90	29/12/93	71.12	13/12/74
99 FT-A ALL-SHARE(825)	1682.17	-0.2	1685.26	1698.75	1677.01	1363.79	3.37	5.01	24.82	46.11	1283.93	1698.75	29/12	1330.19	19/1	1698.75	29/12/93	61.92	13/12/74

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3427.8	3439.8	3437.1	3434.7	3417.1	-	-	-	-	3445.3	3416.6
FT-SE Mid 250	3785.4	3789.9	3792.4	3793.4	3791.0	-	-	-	-	3794.1	3785.4
FT-SE-A 350	1706.1	1711.2	1710.4	1709.5	1702.5	-	-	-	-	1713.5	1702.3

Time of FT-SE 100 High: 8.10am Low: 11.58am

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Construction	2298.1	2294.5	2298.7	2297.6	2291.0	-	-	-	-	2291.0	2297.1	-6.1
Health & H'hld	1145.7	1151.7	1149.2	1148.0	1142.1	-	-	-	-	1143.9	1148.7	-4.8
Water	1695.9	1698.0	1698.3	1697.5	1694.2	-	-	-	-	1694.5	1695.1	-0.6
Banks	2440.5	2451.0	2449.2	2450.5	2440.5	-	-	-	-	2441.1	2429.7	+11.4

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FT-SE Total Return Indices	31/12/92	1000.00	Business Services	31/12/90	999.65	Telephone networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
FT-SE SmallCap	31/12/92	1363.79	Electricity	31/12/90	999.65	Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
FT-SE SmallCap ex Inv Trs	31/12/92	1363.79	Media	31/12/90	1228.68	Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
FT-SE Mid 250	31/12/85	1412.60	Engineering-Aerospace	29/12/89	496.00	Health/Household Products	30/12/77	261.77	All Other	10/4/62	100.00
FT-SE Mid 250 ex Inv Trusts	31/12/85	1412.60	Engineering-General	29/12/89	486.00	Other Groups	31/12/74	63.75	UK Gilts Indices	31/12/75	100.00
FT-SE-A 350	31/12/85	682.94	Water	29/12/89	1968.45	Industrial Group	31/12/70	128.20	Index-Linked	30/4/82	100.00
FT-SE 100	31/12/83	1000.00	Conglomerates	31/12/88	1114.07	Other Financial	31/12/70	128.06	Debs and Loans	31/12/77	100.00

The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. © The Financial Times Limited 1993. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. [illegible]

Glaxo falls on FDA silence

Pharmaceuticals group Glaxo underperformed the sector in thin trading as disappointed marketmakers adjusted their trading books after the group failed to receive US approval for two of its products.

The US Food and Drug Administration, which is responsible for licensing the use of new or adapted pharmaceuticals treatments tends to make about a third of its annual approvals at the end of the year.

It was expected to sanction the sale of Imigran, the anti-migraine treatment in tablet form, and Serevent, Glaxo's anti asthma treatment. Some traders who had bought stock or marked up prices in advance of an announcement were clearing their dealing books yesterday. The shares dipped 9 to 725p, ending the year little changed although they have clawed back from a low of 514p in the summer.

Euro Disney hit

Euro Disney, engulfed by financial problems and badly mauled earlier in the week by worries about its survival, took another hammering, ending another painful session a further 28 off at 350p.

In an interview with a French magazine, Le Point, Mr Michael Eisner, chairman of Walt Disney, Euro Disney's US parent, said closure of the Euro Disney theme park was one possible outcome of talks between Euro Disney and its bankers.

UK holiday companies, however, performed well, with Rank Organisation 7½ firmer at 985½p. The tour operators were rock steady, Airtours holding firm at 492p after good gains earlier in the week. Bookings for winter and summer holidays are strongly ahead.

Mr Roy Owens, leisure analyst at Smith New Court said "Bookings are very strong and margins reasonable; it's all shaping up to be another very good summer season for the holiday companies, particularly Airtours.

Banks heavily involved in the Pacific Rim area continued to outpace their UK counterparts, responding to another session of big gains on the Hong Kong market which hit yet another record yesterday.

HSBC powered ahead to close 16 up at a peak 974p; over the year the shares have almost doubled, rising from the 492p level. During the same period **Standard Chartered** have performed even better with the shares, up 8 yesterday at 1242p, having risen from 573p. **Royal Bank of Scotland**, the best performer of the UK banks this year, eased 4 to 494p.

Kleinwort Benson's elevation to the top of the mergers and acquisitions league in 1993 kept the shares steady at 583p.

Discount houses, always boosted by reductions in interest rates, came in for good support with Cater Allen 9 firmer at 608p and Gerrard & National 8 up at 468p.

BT relinquished an early modest gain and slipped back to close 2¼ off at 472¾p on good turnover of 2.9m shares after news that its US associate, MCI, in which BT is buying a 20 per cent stake, is moving into the US local telephone market.

Vodafone, the UK's leading cellular phones company, continued to attract considerable local and overseas support triggered by recent booming sales and new connections, ending the session 3 higher at 594p.

A flurry of profit-taking affected Cable & Wireless, which, after moving higher at the outset in response to strong gains on the Hong Kong market, came off sharply to close 8 down at 522p.

Internationally traded stocks were weaker on balance following a soggy New York market. Conglomerate Hanson fell 3 to 268½p while Reuters Holdings continued to suffer from profit taking after its recent rally and closed 13 lower at 1787p. ICI consolidated after buying pressure on Thursday and eased 2 to 800p while Zeneca slipped a 1½ to 840½p.

BAT Industries was off 3 at 553½p with some speculation that its insurance arm Eagle Star lay behind the massive OTC options expiry which has been moving the London stock market recently. However, senior marketmakers said the UK's premier fund management group was the principal party.

Bid speculation continued to swirl around Fisons, the troubled pharmaceuticals group and the shares rose 2 against the market to 134p.

Fisons has been seen as a bid target for some two years and the rumours have intensified since the company sacked its chief executive and announced heavy redundancies recently. But one analyst dismissed the talk as "hogwash".

A bright early showing by Asda, one of the big five food retailers, was halted by news that the group's retail director, Mr Peter Monaghan is leaving the company for "personal and family reasons." Mr Monaghan was said to have been unwell for some time.

Asda rose to 58p during early trading but eased on the news to close a penny down on balance at 55½p. The other food retailing giants also gave ground.

Kwik-Save, the best performer in the sector in recent days, dipped 6 to 618p while Sainsbury was 5 off at 444p and Tesco 1½ cheaper at 213½p.

Boots managed a minor gain, closing 2 ahead at 598p. A statement from the company on its Christmas trading performance is expected at the end of next week.

Caradon was the pick of a generally firm building materials sector, the shares moving up 7 to 414p, amid hopes of further UK interest rate cuts.

Shares in Flextech the unlisted cable and satellite television group, were suspended at 379p as the company announced it was buying the European programming assets of United Artists' European arm after issuing 52.36m shares worth £201.6m.

British Aerospace improved 4 to 413p on the back of a recommendation by one leading UK securities house.

Routine management changes at industrial materials groups Williams Holdings and Morgan Crucible were well received by the market. Williams rose 2 to 374p while Morgan hardened a penny to 365p.

Healthcare Holdings shares were suspended at 1¾p with the company announcing it was in negotiations with third parties "which may lead to a significant corporate transaction" in early 1994.

MARKET REPORTERS:
Peter John,
Steve Thompson.

■ Other statistics, Page 19

CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
Aviva Pet	61	+	6
BDA	30	+	3
Eurotunnel	610	+	13
Ex Co Louisiana	37	+	9
Fairline Boats	320	+	10
Havelock Europa	135	+	6
Headway	38	+	5
Pifco	320	+	15
Regalian	35	+	3½
Seton Healthcare	328	+	7
Wetherspoon	361	+	8
Whinney Mackay	38	+	7
YRM	28	+	4
Falls			
Aminex	76	-	3
Billam	203	-	14
Euro Disney	346	-	32
Merrydown	220	-	10

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (191)
BRITISH FUNDS (11) AMERICANS (1) Ingersoll-Rand, BREWERS (3) Greenalls, Mansfield, Wetherspoon (JD), BLDG MATLS (5) Caradon, Heywood Williams, Do Cv. Pf., Manders, Marshalls, BUSINESS SERVS (4) Adam & Harvey, BNB, Hogg Robinson, Time Products, CHEMS (2) BTP, Laporte, CONGLOMERATES (3) Brierley, Grampian, Jardine Hldgs., CONTG & CONSTRCN (12) AMEC, Bellway, Bradon Hire, CALA, Countryside, Havelock Europe, Higgs & Hill, Howard Hldgs., Persimmon, Sheriff, Tay Homes, Wilson (C), ELECTRICALS (3) Kenwood Appliances, Pifco, Do A, ELECTRICITY (1) China Light, ELECTRONICS (7) Control Techs., Elect'comps., Eurotherm, Farnell, ISA, Nesco, Peek, ENG AERO (1) Westland, ENG GEN (2) Sterling Inds., Syltone, FOOD MANUF (3) Carr's Milling, Greencore, Linton Park, FOOD RETAILING (2) PizzaExpress, Shoprite, HEALTH & HSEHOLD (2) Mayborn, Zeneca, HOTELS & LEIS (2) Mandarin Oriental, Ramsden's (H), INSCE BROKERS (1) Archer (AJ), INSCE LIFE (2) Liberty Life Africa, Transatlantic, INV TRUSTS (55) MEDIA (5) Central ITV, HTV, Haynes Publgs., Metal Bulletin, Telegraph, MERCHANT BANKS (1) Schroders, MTL & MTL FORMING (2) Clayhithe 9½pc Cv., Cooper (Fr) MISC (7) Copymore, Danka, Frost, Headlam, McLeod Russel, Pormeirion Potts, Walker Greenbank, MOTORS (6) ABI, European Mtr., Evans Halshaw, Pendragon, Sanderson Murray Elder, TLS Range, OIL & GAS (3) Europe Energy, Greenway, Shell, OTHER FINCL (4) Cater Allen, Govett, LIT, M & G, OTHER INDLS (5) PACKG, PAPER & PRNTG (3) AG Hldgs., Macfarlane (C), Wyndeham, PROP (10) STORES (7) Bentalls, Church, Coles Myer, Lloyds Chems, 7½pc Pf., Menzies (J), Roseby's, Stylo, TEXTS (3) Alexandra Workwear, British Mohair, Leslie Wise, TRANSPORT (7) SOUTH AFRICANS (2) OK Bazaars, SA Brews., MINES (6).

NEW LOWS (13)
BRITISH FUNDS (4) Treas. 10pc '94, Exch. 12¼pc '94, Exch. 13½pc '94, Treas. 14½pc '94, CHEMS (1) Holliday, CONTG & CONSTRCN (3) Baris, Donelon Tyson, Lovell (YJ), ELECTRONICS (2) Linx Prntg., Radamec, FOOD MANUF (2) Bensons Crisps, Sheldon Jones, OTHER FINCL (1) Policy Portfolio.

Data based on those Companies quoted on the London Share Service.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: *Also called redemption price.* The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation *price by the managers at any time, usually in* circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward *price on request, and may move to forward* pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the *next* valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: *The most recent report and* scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AXA Equity & Law Life Assce				
Amersham Road, High Wycombe 0494 463463				
UK Equities Ser 5	992.5	1044.7	-3.2	-
Higher Income Ser 5	1064.9	1120.9	-6.1	-
Property Ser 5	520.8	548.0	+11.6	-
Fixed Interest Ser 5	431.8	454.8	+1.8	-
Index Lnkd Secs Ser 5	190.5	200.5	+0.2	-
Gtd Deposit Ser 5	288.2	303.3	+0.1	-
Nth America Ser 5	439.1	462.2	-0.4	-
Far East Ser 5	573.9	604.1	+8.5	-
Europe Ser 5	364.0	383.1	+0.4	-
International Ser 5	568.6	598.4	+0.1	-
Balanced Ser 5	713.0	750.5	+1.3	-
Reserve Ser 5	149.7	157.5	+1.7	-
Opportunity Ser 5	163.1	171.6	-0.1	-
Distribution Ser 5	109.7	115.4	-0.1	-
Pens Equity Ser 3 (4)	1399.8	1473.4	-2.8	-
Pens Higher Inc S 3 (4)	337.8	355.6	-1.1	-
Pens Fixed Int S 3 (4)	577.0	698.9	+0.8	-
Pens Index-Linked Sec S 3 (4)	247.1	260.1	+0.9	-
Pens Property S 3 (4)	485.7	511.2	+1.0	-
Pens N America S 3 (4)	193.2	203.3	+3.2	-
Pens Far East S 3 (4)	330.8	348.2	+7.1	-
Pens Europe S 3 (4)	202.8	213.4	+1.4	-
Pens Overseas S 3 (4)	836.5	880.5	+13.2	-
Pens Balanced S 3 (4)	822.7	866.0	+2.3	-
Pens Cash S 3 (4)	418.2	440.2	—	-
Pens GAF Series 30	234.3	246.6	—	-
Pens DAF Series 10	464.4	488.8	—	-
Pens Opportunity S 3 (4)	178.1	187.4	+0.6	-
Pens Reserve S 3 (4)	173.9	182.1	+0.2	-
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	267.0	281.1	—	-
Equity Ser. 1	179.3	188.8	-0.80	-
Prop. Acc. Ser 2	487.7	513.4	—	-
Equity Ser 2	232.7	245.0	-1.30	-
Selective Acc. Ser 2	498.4	524.7	-1.40	-
Prop. Ser. 4	370.8	390.8	—	-
Equity Ser. 4	220.6	232.2	-0.80	-
Man. Ser. 4	683.2	719.2	+0.40	-
Fixed Int. Ser. 4	363.8	383.0	-0.30	-

	Bid Price	Offer Price	+ or -	Yield Gross
Black Horse Life Assurance - Contd.				
Pension Funds				
Managed Pen Fd	227.60	239.58	-1.22	-
Fixed Int Pen Fd	166.98	169.52	-0.02	-
Property Pen Fd	205.17	215.07	+0.25	-
Cash Pen Fd	175.39	184.58	-0.09	-
UK Equity Pen Fd	188.02	198.45	-1.80	-
Nth Amer Pen Fd	186.17	195.97	+3.21	-
European Pen Fd	200.90	211.40	+1.38	-
Far East Pen Fd	208.72	219.71	-0.31	-
Britannia Life Assurance				
50 Bothwell Street, Glasgow G2 6HR 041-248 2000				
Life Funds				
Measured Performance	168.2	175.6	—	-
Performance Plus	161.3	170.6	+0.1	-
With Profit Perform.	169.6	175.2	—	-
UK Opportunity	186.0	195.7	-1.0	-
European Opportunity	212.0	224.3	-2.3	-
Nth American Opp	163.8	173.3	-1.9	-
Far Eastern Opp.	217.6	230.1	+2.3	-
Overseas	185.8	196.6	+0.1	-
Gwth Prp Ser 1 Mar 6	140.8	149.0	—	-
Gwth Prp Ser 2	168.7	178.4	—	-
Fixed Interest	188.4	209.9	+0.6	-
Cash	152.2	161.0	+0.1	-
Britannia Life Ltd				
50 Bothwell Street, Glasgow G2 6HR 041-248 2000				
Equity Pen Acc	69.30	73.70	-0.40	-
Building Soc Pen Acc	45.80	48.90	—	-
American Pen Acc	74.30	79.80	+0.50	-
European Pen Acc	40.30	43.30	+0.30	-
International Pen Acc	57.20	61.50	-0.40	-
Managed Pen Acc	47.20	50.70	-0.20	-
Canada Life Group				
High St. Potters Bar, Herts, EN6 5BA 0707 651122				
Individual Pension-Distribution				
Managed Pen Fund	522.4	549.9	—	-
Property Pen Fund	175.9	185.2	—	-
Index-linked Pen Fd	199.9	210.6	—	-
Series C Pension-(Accum Units)				
International Pen Fd	322.8	339.8	—	-
Managed Pen Fd	358.3	377.2	—	-
Property Pen Fd.	255.3	268.8	—	-
Index-linked Pen Fd	251.3	264.6	—	-
Gilt & Fxd Int Pen Fd.	333.6	351.2	—	-
Equity Pen Fd	407.0	428.5	—	-
High Sec Cash Pens Fd	171.4	180.5	—	-

Crown Financial Management Ltd
Crown Hse, Woking GU21 1XW

	Bid Price
Life Funds	
American Acc	129.7
Equity Acc	840.9
European Acc	249.0
Fixed Interest Acc	387.0
High Income Acc	611.3
Intnl Acc	502.8
Inv. Trust Acc	570.0
Japanese Acc	241.0
Managed Acc	608.0
Money Acc	323.3
Property Acc	258.3
Individual Pension Funds(z)	
American	150.8
Building Society	188.2
Equity	1037.4
European	359.1
Fixed Interest	452.1
International	385.8
Investment Trust	461.8
Japanese	244.1
Managed	630.1
Money	363.0
Property	186.6
Group Pension Funds(z)	
American	164.2
Equity	1148.[illegible]
European	387.7
Fixed Interest	520.3
International	767.2
Investment Trust	511.0
Japanese	263.3
Mixed	912.5
Money	493.8
Property	180.3
Other Funds(z)	
Brewin Equity	721.4
Crown Brit Inv A	1385.2
Heritage	405.3
PE Coronet	467.9

Eagle Star Life Assurance [illegible]
Bath Road, Cheltenham GL53 7LQ

	Bid Price
Secure Fund	170.3
Blue Chip Fund	245.3
Performance Fund	249.4

OTHER UK UNIT TRUSTS

[illegible]

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OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Dec31 / US$) (2:15 pm)

EUROPE

AUSTRIA (Dec30 / Sch)

BELGIUM/LUXEMBOURG (Dec30 / Frs.)

CANADA (Dec31 / Can. $) (3 pm)

DENMARK (Dec30 / Kr)

FINLAND (Dec30 / Mks)

FRANCE (Dec31 / Frs.)

GERMANY (Dec30 / Dm.)

ITALY (Dec31 / Lire)

NETHERLANDS (Dec30 / Fls.)

NORWAY (Dec30 / Kroner)

SPAIN (Dec31 / Pts.)

SWEDEN (Dec30 / Kroner)

SWITZERLAND (Dec30 / Frs.)

AFRICA

SOUTH AFRICA (Dec31 / Rand)

PACIFIC

JAPAN (Dec30 / Yen)

AUSTRALIA (Dec31 / Aus$)

HONG KONG (Dec31 / H.K.$)

MALAYSIA (Dec31 / MYR)

SINGAPORE (Dec31 / S$)

INDICES

		Dec 31	Dec 30	Dec 29	1993 High		1993 Low	
Argentina								
General (29/12/77)	(c)		20607.2	20593.5	20607.20	30/12/93	12167.86	8/3/93
Australia								
All Ordinaries(1/1/80)		2173.6	2155.0	2126.9	2173.60	31/12/93	1495.00	13/1/93
All Mining(1/1/80)		1025.9	1023.7	1014.4	1025.90	31/12/93	584.70	13/1/93
Austria								
Credit Aktien(30/12/84)	(c)		429.46	427.53	429.60	28/12/93	300.28	14/1/93
Traded Index(2/1/91)	(c)		1128.78	1118.28	1128.78	30/12/93	712.08	15/1/93
Brazil								
Bovespa (29/12/83)	(c)		37545.0	37360.0	37300.00	26/8/93	714.72	4/1/93
Belgium								
BEL20 (1/1/91)	(c)		1473.10	1470.71	1473.83	28/12/93	1125.46	4/1/93
Canada								
Metals Minls♦(1975)	(u)		3508.39	3521.85	3551.87	13/12/93	2743.31	21/1/93
Composite♦ (1975)	(u)		4329.90	4309.90	4329.90	30/12/93	3275.80	21/1/93
Portfolio§§ (4/1/83)	(u)		2071.43	2064.83	2071.43	30/12/93	1720.97	21/1/93
Chile								
IPGA Gen (31/12/80)	(c)		3904.2	3919.2	3970.20	29/12/93	2612.59	10/5/93
Denmark								
CopenhagenSE(3/1/83)	(c)		365.64	367.40	367.40	29/12/93	261.80	4/1/93
Finland								
HEX General(28/12/90)	(c)		1582.1	1588.2	1607.70	3/11/93	843.10	22/1/93
France								
SBF 250 (31/12/90)		1511.73	1510.72	1509.35	1511.73	31/12/93	1114.19	28/1/93
CAC 40(31/12/87)		2273.14	2281.22	2281.89	2281.89	29/12/93	1772.21	29/1/93
Germany								
FAZ Aktien(31/12/58)	(c)		847.57	844.16	851.67	27/12/93	598.92	14/1/93
Commerzbank(1/12/53)	(c)		2431.00	2420.9	2442.40	27/12/93	1694.30	14/1/93
DAX (30/12/87)‡	(c)		2268.68	2214.70	2268.68	30/12/93	1516.50	13/1/93
Greece								
Athens SE(31/12/80)		958.68	945.18	950.01	958.68	31/12/93	667.72	5/1/93
Hong Kong								
Hang Seng(31/7/64)		11888.39	11877.47	11449.77	11888.39	31/12/93	5437.80	4/1/93
India								
BSE Sens.(1979)	(c)		(c)	3360.9	3454.89	13/12/93	2109.67	23/4/93
Indonesia								
Jakarta Comp.(10/8/82)	(c)		588.77	587.86	588.77	30/12/93	273.31	5/1/93
Ireland								
ISEQ Overall(4/1/88)		1888.94	1883.44	(c)	1888.94	31/12/93	1181.19	11/1/93
Italy								
Banca Comm Ital (1972)		619.47	613.49	613.83	632.86	30/8/93	446.33	8/1/93
MIB General (4/1/93)		1356.0	1344.0	1344.0	1390.00	30/8/93	982.00	11/1/93
Japan								
Nikkei 225 (16/5/49)	(c)		17417.24	17272.03	21148.11	13/9/93	16078.71	29/11/93
Nikkei 300 (1/10/82)	(c)		267.05	265.04	308.84	10/11/93	249.64	29/11/93
Topix (4/1/68)	(c)		1439.31	1429.27	1698.67	3/9/93	1250.06	25/1/93
2nd Section (4/1/68)	(c)		1863.36	1860.74	2384.97	7/6/93	1661.72	26/1/93
Malaysia								
KLSE Comp.(4/4/86)		1275.32	1231.73	1231.86	1275.32	31/12/93	614.28	13/1/93
Mexico								
IPC (Nov 1978)	(c)		2602.63	2589.91	2602.63	30/12/93	1504.15	25/2/93
Netherlands								
CBS TtlRtnGen(End 83)	(c)		433.2	430.6	433.20	30/12/93	295.70	4/1/93
CBS All Shr (End 83)	(c)		280.8	279.1	280.80	30/12/93	198.60	13/1/93
New Zealand								
Cap. 40 (1/7/86)		2168.07	2180.23	2155.12	2203.59	2/11/93	1485.37	21/1/93
Norway								
Oslo SE(Ind)(2/1/83)	(c)		1062.04	1064.13	1064.13	29/12/93	669.93	27/1/93
Philippines								
Manila Comp (2/1/85)	(c)		(c) †	3196.08	3196.08	29/12/93	1270.68	4/1/93
Portugal								
BTA (1977)		2614.0	2617.0	2602.0	2699.00	9/9/93	1608.29	14/1/93
Singapore								
SES All-S'pore(2/4/75)		628.66	623.90	627.62	628.66	31/12/93	394.10	13/1/93
South Africa								
JSE Gold (28/9/78)		2164.0Ψ	2176.0	2126.0	2184.00	27/12/93	775.00	5/1/93
JSE Indl. (28/9/78)		5571.0Ψ	5562.0	5520.0	5571.00	31/12/93	4333.00	19/4/93
South Korea								
KoreaCmpEx(4/1/80)**	(c)		(c)	(c)	874.10	17/12/93	665.83	6/3/93
Spain								
Madrid SE (30/12/85)		322.77	319.19	314.58	323.71	27/12/93	216.60	4/1/93
Sweden								
AffarsvarldnGen (1/2/37)	(c)		1402.8	1405.3	1435.10	4/11/93	879.10	28/1/93
Switzerland								
Swiss Bk Ind (31/12/58)	(c)		1306.95	1293.92	1306.95	30/12/93	904.80	11/1/93
SBC General (1/4/87)	(c)		1012.63	1006.07	1013.85	27/12/93	678.70	11/1/93
Taiwan								
WeightedPr.(30/6/66)**		6070.56	5813.55	5538.07	6070.56	31/12/93	3098.43	9/1/93
Thailand								
Bangkok SET (30/4/75)	(c)		1682.85	1668.63	1682.85	30/12/93	818.84	1/6/93
Turkey								
Istanbul Cmp.(Jan 1986)		20682.8	20175.4	19452.1	20682.80	31/12/93	3855.53	1/1/93
WORLD								
MS Capital Int (1/1/70)$		599.5*	598.7	601.0	607.10	15/10/93	498.69	13/1/93
CROSS-BORDER								
Eurotrack 100(26/10/90)		1473.36	1475.84	1468.30	1476.84	30/12/93	1063.02	13/1/93
Euro Top-100 (26/6/90)		1239.23	1233.00	1232.65	1239.23	31/12/93	882.73	13/1/93
JCapeDrgns (31/12/88)	(u)		381.65	374.09	381.65	31/12/93	188.92	4/1/93
Barings Emerg.(7/1/92)	(u)		166.56	165.72	166.56	30/12/93	99.81	4/2/93

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Dec	2280.0	2261.5	-15.0	2284.0	2260.0	14,417	8,7957
Jan	2293.5	2282.0	-7.0	2296.5	2273.0	12,500	38,283
Feb	2305.0	2293.5	-7.0	2305.0	2305.0	2	158
Mar	2315.0	2305.5	-6.5	2319.5	2297.0	598	30,089

Open interest figures for previous day.

** Sat Dec 18: Taiwan Weighted Price 5202.14; Korea Comp Ex 864.00. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Dec 30 - 2255.29 +25.67.

US INDICES

Dow Jones	Dec 30	Dec 29	Dec 28	1993 High	1993 Low	Since compilation High	Since compilation Low
Industrials	3775.88	3794.33	3793.77	3794.33 (29/12)	3241.95 (20/1)	3794.33 (29/12/93)	41.22 (2/7/32)
Home Bonds	104.85	104.77	104.76	111.29 (10/12)	103.49 (11/1)	111.29 (10/12/93)	54.99 (1/10/81)
Transport	1765.96	1771.32	1775.81	1775.81 (28/12)	1453.84 (4/1)	1775.81 (28/12/93)	12.32 (8/7/32)
Utilities	230.16	231.08	231.48	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3806.34 (3818.92) Low 3759.96 (3764.43) (Theoretical♦)
Day's high 3794.89 (3799.84) Low 3770.02 (3782.31) (Actual♦)

Standard and Poors	Dec 30	Dec 29	Dec 28	1993 High	1993 Low	Since compilation High	Since compilation Low
Composite ‡	468.64	470.58	470.94	470.94 (28/12)	429.05 (8/1)	470.94 (28/12/93)	4.40 (1/6/32)
Industrials	542.13	543.94	543.86	543.94 (29/12)	496.48 (26/4)	543.94 (29/12/93)	3.62 (21/6/32)
Financial	44.42	44.60	44.86	48.40 (28/9)	39.89 (8/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	259.77	260.67	260.50	260.67 (29/12)	236.21 (8/1)	260.67 (29/12/93)	4.46 (25/4/42)
Amex Mkt Val	472.55	472.16	470.00	484.28 (2/11)	395.84 (8/1)	484.28 (2/11/93)	29.31 (9/12/72)
NASDAQ Cmp	771.08	768.48	764.56	787.42 (15/10)	645.87 (26/4)	787.42 (15/10/93)	54.87 (31/10/72)

■ RATIOS

	Dec 17	Dec 10	Dec 3	Year ago
Dow Jones Ind. Div. Yield	2.67	2.67	2.70	3.12
	Dec 29	Dec 22	Dec 15	Year ago
S & P Ind. Div. yield	2.38	2.40	2.45	2.56
S & P Ind. P/E ratio	27.21	27.43	27.16	26.78

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	469.70	470.25	+0.50	470.30	469.45	25,596	178,214
Jun	471.20	471.25	+0.45	471.25	471.20	640	3,527
Sep	-	472.50	-	472.50	-	458	680

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Amer T & T	2,784,300	52⅞	-⅜
Maxus Energy	2,484,800	5⅝	—
RJR Nabisco	2,079,700	6½	—
Telefonos	1,989,500	67½	+½
Wal-Mart	1,949,000	25½	-⅛
Merck	1,943,400	34⅞	-⅛
Marion Mer	1,921,100	18	+⅜
Syntex	1,902,800	16⅜	+⅛
Gulf St	1,715,400	19¾	-⅛
IBM	1,660,100	57⅞	-1

■ TRADING ACTIVITY

● Volume (million)	Dec 30	Dec 29	Dec 28
New York SE	186.644	264.031	196.295
Amex	16.855	17.092	16.452
NASDAQ	(u)	256.385	247.610
NYSE			
Issues Traded	2,714	2,718	2,696
Rises	963	1,195	1,204
Falls	1,083	836	827
Unchanged	668	687	665
New Highs	100	121	105
New Lows	20	21	24

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). Ψ Subject to official recalculation.

WORLD STOCK MARKETS

AMERICA

Dow helped by stable bonds

Wall Street

US stocks were ending the year on a positive but restrained note yesterday morning as renewed stability in the bond market brought some cheer to a quiet trading session, *writes Frank McGurty in New York.*

By midday, the Dow Jones Industrial Average was 3.64 higher at 3,779.52, while the more broadly based Standard & Poor's 500 was 1.04 ahead at 469.68. The secondary indices showed modest gains as well, with the American SE composite up 0.86 at 473.41 and the Nasdaq composite 1.97 at 773.05.

Activity on the NYSE was extremely light, with only 65m shares traded by 12pm. Advancing issues led declines, 979 to 791.

With so many investors taking a long holiday weekend and no fresh readings on the economy due until Monday, trading was largely restricted to some last-minute window-dressing by money managers seeking to bolster their winning positions before the new year, as well as some profit taking in stocks showing recent gains.

In a fitting end to a year in which low interest rates have underpinned the strength of stocks, the US Treasury market was once again a distraction, especially in light of the surprisingly sharp decline in bond prices the previous day.

Traders yesterday were content to allow long bond prices to drift lower in an abbreviated holiday session, with most sitting on the sidelines until after the release of the National Purchasing Management Association survey next week. By midday the benchmark 30-year government issue was down ⅛ to 98⅝, with the yield rising to 6.348 per cent.

However, the modest decline failed to rattle equity investors and the Dow industrials showed a steady if unimpressive gain throughout the morning.

Among the Dow components, Woolworth was one of the best performers, climbing $1 to $25⅝. Other retailers were lower, including Sears down $⅛ at $53⅛, Kmart $¼ at $44⅛, The Limited $⅝ to $17 and Federated Department Stores $¼ at $16¼. But JC Penney was $⅝ higher at $53.

Primerica advanced $1⅝ to $39 following the approval by shareholders for the company's merger agreement with Travelers, which added $⅞ to $31⅞. The newly formed company will begin trading on the NYSE next week.

Canada

Toronto paused after the recent rally in thin pre-holiday dealings and the the TSE-300 composite index eased 0.59 to 4,329.29 at 11am.

Among the day's active issues, Methanex Corp added C$⅛ to C$10½ in volume of 1.31m shares, and the class B shares of Teck Corp, the gold miner, rose C$⅛ at C$23¼.

EUROPE

Paris down as Eurostocks diverge

There was good news and bad news from Paribas Capital Markets yesterday, *writes Our Markets Staff.*

"Our relative valuation indicators suggest that European equities can rise another 10-20 per cent before reaching excessive valuations," said the broker, "but risks are increasing. We don't expect a crash or the start of a bear market, but a 5-10 per cent correction is far from excluded."

PARIS itself ran out of steam, the CAC-40 closing 10.3 lower at 2,268.22, a little under 1 per cent up on the week.

The market's Eurostocks moved apart again. Eurotunnel rose FFr0.90 to FFr52.50, nearly doubled since the middle of October. Euro Disney, however, ended FFr2.60, or 7.9 per cent lower at FFr30.40. In an interview published yesterday the chairman of Euro Disney's parent, Walt Disney, did not rule out the possibility that its theme park outside Paris might be closed if parent and creditor banks did not agree on a restructuring plan.

Accor, the hotel group, rose FFr9 to FFr590 on the company's plans to help the Chinese government renovate some 100 state-run hotels.

MILAN saw further demand for Montedison in an otherwise becalmed market and the Comit index added 5.98 to 619.47, for a 0.8 per cent rise on the week.

Montedison climbed L34.70 or 3.8 per cent to L947.60 in heavy volume of 35.4m shares, on further consideration of its agreement with Shell to merge part of their chemicals business. The rights in its capital call were also well traded.

Olivetti added L38 to L2,149 in continued response to news that it was negotiating the sale of its German Triumph-Adler subsidiary.

Telecommunications issues found some demand with Stet, the holding company, rising L51 to L4,403 but Sip, the national telephone operator, dipping L7 to L3,596.

MADRID featured large block trades attributed to institutional window-dressing, which appeared to have the desired effect as the general index recovered another 3.58 to 322.77, fractionally down on its high for the year and slightly better on the week.

Turnover was Pta26.4bn for the shortened session. Banks continued their recovery following the drop on Banesto's bad news this week, but the gains here were more modest than they were on Thursday.

There was more life in utilities, following a fall of 0.2 per cent in the industrial electricity tariff,and a rise of 3.5 per cent on domestic prices announced for 1994. But the Madrid broker, FG, commented that the average increase of 2.06 per cent was already known, and that it would want to see a detailed breakdown of the tariff before commenting on its implications for the sector.

ATHENS put on 1.4 per cent as institutional investors restructured their year-end portfolios, the general index rising 13.50 to 945.16 in turnover of Dr5.1bn. The market showed a rise of 4.5 per cent over the last week.

ISTANBUL finished at a second consecutive record high, the composite index posing a 507.49 rise to 20,682.89 for a weekly rise of 4.5 per cent and a 417 per cent advance since the start of the year.

FT-SE Actuaries Share Indices

Dec 31 — THE EUROPEAN SERIES

Hourly changes	Open†	10.30†	11.00†	12.00†	13.00	14.00	15.00	Close†
FT-SE Eurotrack 100	1473.26	1473.52	1473.42	1472.96	-	-	-	1473.36
FT-SE Eurotrack 200	1548.48	1550.05	1547.46	1546.52	-	-	-	1546.84

	Dec. 30	Dec. 29	Dec. 24	Dec. 23	Dec. 22
FT-SE Eurotrack 100	1475.84	1466.20	1459.40	1459.50	1451.64
FT-SE Eurotrack 200	1547.64	1552.09	1535.05	1532.40	1516.71

Base value 1000 (26/10/90). High/day: 100 - 1473.82; 200 - 1551.50 Low/day: 100 - 1472.39 200 - 1546.03 † Partial

Year's rise	%
Manila	154.4
Jakarta	114.6
Bangkok	88.4
Taiwan	79.8
Colombo	74.5
Karachi	74.1
Athens	42.6
Bombay	28.5
Seoul	27.6
Tel Aviv	26.8

SOUTH AFRICA

A becalmed gold price and strong financial rand took the sparkle off Johannesburg.

Gold shares paused after Thursday's rally although good demand continuedfor second-tier industrials. Golds shed 12 to 2,164, while industrials rose 11 to a record 5,573. The overall index gained 4 to 4,693. Barlows lost 50 cents to R54.75 while Anglos added R2 to a new high of R219.50.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Region ends in record setting mood

Pacific Rim markets ignored the absence of Tokyo and a number of other markets, already on holiday, to continue on their record setting ways.

TAIWAN soared another 4.4 per cent on the day, for a cumulative weekly rise of 15.4 per cent, to close again at a 30 month high.

The weighted index finished 257.01 ahead at 6,070.56 in turnover that surged to T$142.1bn, the heaviest since June 1990. Details of the government's stock capital gains tax came after the market closed.

AUSTRALIA finished at another six-year high as strong sentiment and active options trading boosted many leading stocks. The All Ordinaries index rose 19.1 or nearly 1 per cent to 2,173.6, for a 5.1 per cent weekly rise. Trade was unusually busy for the time of year, with options boosting daily turnover to a high for the year of A$1.18bn.

HONG KONG, weak at the start in the absence of many overseas funds, picked up after a late round of bargain hunting. The Hang Seng index finished 10.92 higher at a new high of 11,888.39, erasing an early 248.41 point loss, and 9.3 per cent higher on the week. Bulls noted that the index had ended with three "eights" which, in the Cantonese equivalent, indicate growth and prosperity.

KUALA LUMPUR was boosted by the strong performance of index-linked stocks and blue-chips, taking the composite index 43.59 higher to a record 1,275.32, a 10.7 per cent rise on the week.

SINGAPORE rebounded after Thursday's sharp losses and the Straits Times Industrials index rose 35.07 to 2,425.68, just short of the previous closing high of 2,426.85 set two days earlier. The market rose 5.5 per cent over the week.

NEW ZEALAND moved ahead, the NZSE-40 index adding 7.84 to 2,188.07, close to the year's peak of 2,203.09 set just before November general elections. The market has risen by 4.8 per cent over the last week.

COLOMBO ended on a strong note with more buyers than sellers and the all share index 8.81 higher at at 933.43.

Outstanding year tests major global investors

Adrian Fitzgerald's analysis of a prosperous 1993

Sober, and more serious-minded investors will no doubt spend New Year's day contemplating investment efficiency. Most equity markets had an outstanding 1993, in spite of the recessionary forces still at work. Indeed, many markets closed the year at, or close to, all-time highs. But there are still lessons to be learned.

Managers of very large global funds will not have found the going easy. The two largest equity markets, the US and Japan, were among the poorest performers in 1993, providing local currency returns of 10 per cent and 12 per cent respectively.

With the benefit of hindsight, it is easy to see how market trends reflected changes in recovery prospects. Growth in the US economy, for example, is likely to be reported in line with expectations prevalent at the start of the year, hence the steady but dull stock market performance. By contrast, expectations for the Japanese economy were continuously downgraded as the year progressed. Not surprisingly, the stock market fell apart completely in the second half of the year.

The disappointing outcome in Japan was at least compensated for by the strength of the yen. Returns to most overseas investors in Japan were enhanced by upwards of 10 per cent. This was no help to Japanese investors, who suffered the reverse effect. Not only did they earn a relatively miserable return from their own market, but their returns from overseas investments were diluted by the relative weakness of other currencies.

Given the performances of the two major markets, it will be the least constrained and most adventurous fund managers who will top the performance tables for last year. The FT-A World Index excluding both the US and Japan gave a return of 38 per cent in dollar terms; two markets, Hong Kong and Malaysia, more than doubled.

So, what else is there to contemplate about 1993? On the whole, it was just wonderful. And, anyway, what's all this mumbo-jumbo about investment efficiency?

Well, first and foremost, we have to adjust to a low inflation/low interest rate environment. Investors in the UK, in particular, have to acclimatise themselves to an environment not experienced since the 1960s. And as 1993 performance figures will highlight, bond returns can be just as good as equity returns in such an environment. It is time for UK investors to consider whether their very aggressive exposure to equities provides the most efficient trade-off between risk and reward.

Investors who dismiss this notion on the grounds that the bull run in bonds is now over should think carefully. Current equity market ratings worldwide can only be justified if inflation and interest rates stay low.

US investors, who taught us all we know and love about modern diversification techniques, must be kicking themselves for not putting theory into practice. The typical US pension fund holds only around 6 per cent in foreign assets. It will not require much contemplation, in the light of last year's relative performances, to realise that this has to be an inefficient asset mix.

The evidence suggests, however, that this problem is starting to be addressed. Almost $50bn poured out of the US into overseas equity markets in the first nine months of 1993, most of it into Europe. The good news for European-based stockbrokers is that there is much, much more to come!

And while investors are contemplating efficiency, they should not forget about cash. Last year's bull market was fuelled to a large extent by a flight out of low-interest, but risk-free, cash deposits into supposedly higher-yielding equities. So far it has worked. But retail and institutional investors alike must remain alert to the risks they run.

Not that 1994 threatens to be a bleak year. Recovery in the US and the UK will continue; the rest of Europe is at least stabilising; even Japan should start to show some recovery in the second half.

The key to equity market performances will be the trend in interest rates and, especially, the support provided by bond markets. Here again, there seem to be no great dangers lurking.

What investors have to bear in mind, however, is that, by definition, the outlook is always rosy at the top of bull markets. The solution is to weigh up the risks and potential rewards against investment needs and to invest accordingly.

Nevertheless, as a European-based stockbroker, it would be irresponsible of me not to point out to US investors that a hedged investment in selected European markets, notably the UK, France and Spain, is likely to be rewarding in 1994.

Footnote: All market statistics have been calculated on the close of markets on December 30. Adrian Fitzgerald is director of equity research at NatWest Securities, Edinburgh.

1993 Total Returns %

Country	Dollar	Local
Malaysia	122.8	129.0
Hong Kong	127.9	127.4
Finland	79.1	98.1
Singapore	73.6	69.9
South Africa	84.4	63.5
Ireland	40.9	62.2
Spain	24.0	54.2
New Zealand	64.2	51.3
Italy	27.8	48.2
Germany	37.9	47.6
Switzerland	44.9	46.2
Netherlands	36.8	45.8
Denmark	35.1	45.6
Mexico	46.1	45.5
Norway	32.9	44.2
Austria	34.0	44.0
Sweden	20.9	42.3
Australia	36.8	39.2
Belgium	28.1	39.0
France	24.3	32.5
UK	23.9	27.0
Canada	20.5	26.4
Japan	24.7	11.7
US	10.1	10.1

Note: Returns calculated to 30/12/93

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	THURSDAY DECEMBER 30 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY DECEMBER 29 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (69)	165.02	+1.6	165.66	116.66	148.74	162.40	+1.4	3.17	162.45	161.48	114.81	145.10	160.13	165.02	117.39	125.12
Austria (17)	185.06	-0.3	185.79	130.84	166.80	166.64	+0.8	0.96	185.57	184.47	131.15	165.75	165.16	187.88	131.16	140.16
Belgium (42)	163.08	-0.8	163.70	115.26	146.96	145.01	+0.2	3.97	164.34	163.36	116.13	146.78	144.77	166.01	131.19	133.23
Canada (107)	136.42	+0.3	136.95	95.73	122.05	130.79	+0.4	2.57	135.04	134.23	95.43	120.60	130.29	135.71	111.41	115.64
Denmark (32)	248.39	-2.0	249.36	175.61	223.89	228.46	-1.2	0.99	253.37	251.85	179.06	226.30	231.30	253.37	185.11	186.12
Finland (23)	123.33	-1.6	123.81	87.19	111.16	149.73	-1.0	0.70	125.34	124.59	88.58	111.96	151.19	128.99	65.50	69.61
France (98)	177.26	-0.8	177.95	125.31	159.76	163.74	-0.1	2.85	178.76	177.69	126.32	159.65	163.83	179.49	142.72	147.18
Germany (60)	140.47	+1.2	141.02	99.32	126.61	126.61	+2.1	1.84	138.83	138.00	98.12	124.00	124.00	142.38	101.59	104.04
Hong Kong (55)	488.48	+4.0	490.40	345.35	440.31	484.36	+4.0	2.25	469.76	466.95	331.98	419.60	465.76	468.48	218.82	221.56
Ireland (14)	184.76	+1.4	185.48	130.62	166.53	184.64	+1.7	3.07	182.20	181.11	128.76	162.73	181.49	184.76	129.28	135.78
Italy (69)	68.53	+0.0	68.80	48.45	61.77	87.44	+0.8	1.87	68.50	68.09	48.40	61.18	86.76	78.93	53.78	54.87
Japan (469)	129.85	+0.7	130.36	91.80	117.06	91.80	+0.8	0.89	128.93	128.16	91.11	115.17	91.11	165.91	100.75	105.02
Malaysia (69)	571.16	-2.5	573.40	403.79	514.80	591.51	-0.8	1.23	585.84	582.34	414.00	523.25	596.15	586.09	251.66	261.46
Mexico (18)	2382.94	+1.1	2392.26	1684.72	2147.86	8096.23	+1.0	0.61	2356.79	2342.71	1665.56	2105.05	8013.82	2383.11	1410.30	1647.91
Netherland (26)	199.51	-0.1	200.29	141.05	179.83	176.50	+0.7	3.00	199.65	198.45	141.09	178.32	175.27	202.45	153.39	151.40
New Zealand (14)	67.48	+1.4	67.74	47.71	60.82	64.24	+1.6	3.65	66.53	66.13	47.02	59.42	63.21	68.38	40.56	42.89
Norway (23)	180.05	-1.3	180.76	127.30	162.29	183.38	-0.6	1.39	182.42	181.34	128.92	162.94	184.49	195.10	137.71	137.71
Singapore (39)	384.05	-1.5	385.48	257.38	328.13	269.26	-1.3	1.25	369.70	367.49	261.27	330.21	272.93	369.74	207.04	213.36
South Africa (60)	265.89	+3.7	266.93	187.97	239.65	250.18	+2.3	2.23	256.30	254.77	181.12	228.91	244.52	265.69	144.72	148.10
Spain (42)	137.98	+1.3	138.52	97.55	124.37	148.82	+1.9	4.02	136.23	135.41	96.28	121.67	146.10	145.24	115.23	116.61
Sweden (36)	196.69	-0.6	197.46	139.06	177.29	242.31	-0.1	1.44	197.67	196.69	139.84	176.74	242.65	208.92	149.70	165.56
Switzerland (49)	160.74	-0.9	161.37	113.65	144.90	147.44	+0.8	1.47	162.25	161.26	114.67	144.93	146.30	165.86	108.91	113.01
United Kingdom (215)	205.21	-1.9	206.01	145.07	184.95	206.01	-0.9	3.49	209.10	207.85	147.76	186.75	207.85	209.10	162.00	172.36
USA (518)	190.74	-0.4	191.49	134.86	171.93	190.74	-0.4	2.74	191.53	190.38	135.36	171.08	191.53	191.68	175.32	178.10
Europe (748)	169.88	-0.8	170.54	120.10	153.12	165.24	+0.1	2.74	171.27	170.25	121.04	152.98	165.01	172.29	133.92	136.01
Nordic (114)	189.90	-1.1	190.64	134.26	171.16	201.92	-0.5	1.23	192.03	190.88	135.71	171.52	203.02	194.54	142.13	149.29
Pacific Basin (715)	144.51	+0.9	145.06	102.17	130.26	105.58	+1.0	1.15	143.24	142.39	101.23	127.94	104.56	168.80	105.89	109.71
Euro-Pacific (1461)	154.92	+0.1	155.52	109.52	139.63	128.37	+0.6	1.88	154.75	153.83	109.35	138.21	127.62	162.56	117.26	120.35
North America (625)	187.29	-0.4	188.02	132.42	168.84	186.62	-0.4	2.73	188.01	186.88	132.88	167.95	187.32	188.13	171.51	174.22
Europe Ex. UK (531)	147.80	-0.1	148.38	104.51	133.25	141.48	+0.8	2.26	147.97	147.08	104.59	132.19	140.34	150.04	112.51	114.39
Pacific Ex. Japan (246)	263.84	+1.6	264.95	200.70	255.86	264.27	+1.9	2.27	279.31	277.64	197.42	249.50	259.30	283.84	152.70	155.69
World Ex. US (1647)	157.12	+0.2	157.74	111.09	141.63	131.70	+0.6	1.88	156.82	155.88	110.83	140.07	130.88	162.69	118.51	121.45
World Ex. UK (1950)	163.73	+0.2	164.37	115.76	147.59	144.79	+0.4	2.06	163.43	162.46	115.51	145.99	144.27	168.66	134.22	136.49
World Ex. So. Af. (2105)	166.73	-0.1	167.39	117.89	150.30	149.24	+0.2	2.21	166.87	165.87	117.94	149.06	148.93	170.46	137.29	139.66
World Ex. Japan (1696)	188.53	-0.3	189.26	133.30	169.95	185.25	+0.0	2.66	189.08	187.95	133.64	168.91	185.16	189.49	157.47	159.16
The World Index (2165)	167.34	+0.0	167.99	118.31	150.84	150.05	+0.2	2.21	167.40	166.40	118.31	149.53	149.71	170.68	137.32	139.50

Constituent changes with effect 3/1/94: Deletion: Travelers (USA). Name change: Primerica to Travelers. Latest prices were unavailable for this edition.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jan	Apr	Jul	Puts Jan	Apr	Jul
Allied-Lyons	650	38	58½	68½	6	18½	31½
(*679)	700	10½	31	40½	29½	42	57½
Argyll	260	22½	31	36½	3½	10	17½
(*275)	280	9	20½	25½	12	19½	27½
ASDA	50	7	9	12	1½	3½	5
(*56)	60	1½	4½	6	6½	8½	10½
Brit Airways	420	38	49	57	4½	14	21½
(*449)	460	9½	25½	35	20½	30½	40½
[illegible] A	330	25½	38	50	7	18½	26½
(*404)	420	9½	25	38	23	35	42
Boots	550	53½	68½	78	2	8½	18
(*558)	600	15	33½	44½	15	27½	38½
BP	360	11	23½	31	9	17½	23
(*351)	390	3	10½	18	30	36½	41
British Steel	120	9	14½	19	2	6½	10½
(*126)	130	4	9	13½	7	12	14½
Bass	500	41	54	61½	3	12	18
(*535)	550	8	24	33	23	34	41½
Cable & Wire	500	31	47½	59½	6	16½	25½
(*522)	525	16	32½	46	16½	28	37
Courtaulds	460	32½	48	51½	5½	14	24½
(*486)	500	7½	23	29½	23	32½	45½
Comm Union	600	53	60	71	2	13½	17
(*646)	650	14½	25	41½	16½	33½	38
ICI	750	58½	72	85½	4	26½	33
(*800)	800	22	41	57	21	50½	57½
Kingfisher	750	38½	57½	69	9	23	35½
(*774)	800	10½	31	44	35	48	62½
Land Secur	750	48½	64	72½	3	11½	21½
(*790)	800	13	32	42	20½	30	45
Marks & S	420	37½	47½	52½	2	7	13
(*453)	460	9½	22	28	14½	23½	29½
NatWest	600	30½	43	55	7½	25½	32½
(*620)	650	6½	18½	31½	35½	55	61
Sainsbury	420	30	44	51	5	12	21
(*444)	460	5½	21	30½	23	32	42
Shell Trans.	700	36½	46	56½	4	15	26½
(*727)	750	7½	18	33	29½	47	53
Storehouse	220	18	26	30½	3	7½	11½
(*237)	240	5½	14	19	11½	17	21
Trafalgar	90	6½	12½	18½	5½	8½	13½
(*93)	100	3	7½	12½	12	15½	19
Unilever	1200	32	59	78	16½	44½	55½
(*1202)	1250	10½	33½	55	48	73½	84½
Zeneca	800	53½	69½	84	7½	26½	38½
(*842)	850	20½	39½	57½	25½	52½	64
Option		Feb	May	Aug	Feb	May	Aug
Grand Met	460	25	32½	43	16	23½	29
(*474)	500	8	14½	24½	43	47½	52
Ladbroke	160	15	22½	24½	12½	21	26½
(*160)	180	7½	13½	16½	25½	34½	39
Utd Biscuits	360	17	22	28½	15	36	31½
(*363)	390	6	10	16½	35½	47½	52
Option		Mar	Jun	Sep	Mar	Jun	Sep
Fisons	130	19	26½	34	14½	21	25
(*133)	140	14½	23	30	20½	26½	31
Option		Feb	May	Aug	Feb	May	Aug
Brit Aero	390	39	50	63½	14½	26	34
(*412)	420	21	27	48½	29	41½	50
BAT Inds	550	24½	33½	41½	18½	33	42
(*552)	600	6½	15½	21½	52½	67½	73
BTR	360	24	28	36½	7	16	19½
(*370)	390	9	14½	22½	23½	32½	36½
Brit Telecom	460	25	34	42½	7½	12½	20½
(*472)	500	6	14	22½	31	34½	41½
Cadbury Sch	460	30	34	-	9	21½	-
(*503)	542	7½	13	-	38	52	-
Eastern Elec	650	38½	52½	63½	13½	20	33
(*677)	700	12½	27½	37	40½	47	59½
Guinness	460	33½	44	51	11½	24	29
(*479)	500	13½	23	31½	31	47	52
GEC	320	21	28½	33½	6	11	16½
(*341)	350	6	13	18	23	26½	34
Option		Feb	May	Aug	Feb	May	Aug
Hanson	260	15½	18½	22	4½	9½	13
(*263)	280	5	9	13	15	20½	24
Lasmo	110	14	20	24	7½	12	15½
(*115)	120	9	15½	19½	12½	17	20
Lucas Inds	180	19	23½	28½	4½	9	12½
(*192)	200	8	13½	18	14½	19½	23
P & O	600	60½	69½	81½	9	19	24½
(*645)	650	27½	39	53½	27½	41½	47
Pilkington	160	23	27½	31½	3	6	9
(*178)	180	9	15	19½	10½	15	18
Prudential	360	15½	21	27	12	21½	25½
(*361)	390	4½	9	14½	32½	42	45
RTZ	800	38½	54	71½	21½	35½	45
(*811)	850	16	30½	48	51	63½	72
Redland	550	50	60	67	8½	24½	31½
(*586)	600	20½	32½	41½	30	51	57½
Royal Insce	317	30	-	-	7½	-	-
(*329)	346	13	-	-	19	-	-
Tesco	200	19	25	28½	5½	11½	13½
(*213)	220	7½	14	18	14½	22½	24½
Vodafone	550	63	80½	94	11½	24	34
(*594)	600	32	52½	67½	32	48½	58
Williams	360	25	32	36½	7	16½	21
(*374)	390	9	16½	22½	23	33½	37½
Option		Jan	Apr	Jul	Jan	Apr	Jul
BAA	1050	30	60½	78	18	37½	53
(*1056)	1100	9½	36½	55	50	65½	80
Thames Wtr	550	34	45	56	4½	13	26½
(*577)	600	6	20	30	28	34	54
Option		Mar	Jun	Sep	Mar	Jun	Sep
Abbey Natl	500	32½	40½	51	19½	28	34½
(*512)	550	11	18½	29½	51½	59½	63½
Amstrad	40	5½	6½	8½	4½	5½	7
(*40)	45	3	4½	6½	7½	8	10
Barclays	600	55½	63½	75	16	23½	32
(*635)	650	28½	36½	49	41½	47½	57
Blue Circle	330	26½	31½	40½	16½	26½	33
(*336)	360	13	18½	27½	34	45	51½
British Gas	330	24	29	34	7½	15	18½
(*342)	360	8½	13	19	24	32½	35½
Dixons	260	21	28½	36	16½	22½	29
(*284)	300	12½	19½	28	28	34	41
Hillsdown	140	28	28	29	3	6½	9
(*159)	160	10	14½	17	9½	16	18
Lonrho	120	15½	19½	23½	6	9½	13½
(*129)	130	10	14½	18½	11	15	18½
Natl Power	460	42½	52	58½	11½	18½	24½
(*486)	500	18½	31½	38	29	38	45
Scot Power	420	46	55	62	7½	12½	18
(*458)	460	20	31	38½	22	28	36
Sears	120	13	18	18	3½	6	7½
(*127)	130	7	10½	12½	8	11	12½
Forte	240	29½	32	37	6½	12	16
(*259)	260	16	19½	26½	15	22	26
Tarmac	155	24½	28½	-	5	9	-
(*172)	174	13	17	-	13½	18	-
Thorn EMI	950	61	83	98½	23½	34	53½
(*986)	1000	33½	55	69	49	58½	79
TSB	240	14½	21	25½	13	17½	21½
(*242)	260	7½	12	16½	27	30	33½
Tomkins	220	21½	26½	30½	6	10½	15
(*233)	240	11	15½	19½	16½	20½	25½
Wellcome	650	50½	65	85½	32	49	60
(*659)	700	28	45	62	52	77½	88½
Option		Apr	Jul	Oct	Apr	Jul	Oct
Glaxo	700	64½	87	99½	35	50	66
(*726)	750	39½	62	75	62	75	92½
HSBC 75p shs	950	74½	94	111	50½	66½	79½
(*975)	1000	49	69½	87	78	92½	105
Reuters	1750	113	153	185	75	95½	113
(*1783)	1800	85½	126	158	101	120	136
Option		Feb	May	Aug	Feb	May	Aug
Rolls-Royce	156	14	-	-	6½	-	-
(*162)	176	5½	-	-	18	-	-

* Underlying security price. Premiums shown are based on closing offer prices.
December 31, Total contracts: 13,847 Calls: 7,482 Puts: 6,365

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	27	17	34	105	48	81
Other Fixed Interest	0	0	15	3	0	42
Commercial, Industrial	282	205	959	1,142	634	2,562
Financial	38	40	98	162	96	270
Property	22	9	103	84	29	289
Investment Trusts	128	59	355	590	186	840
Oil & Gas	9	15	57	55	35	153
Mines	27	26	87	150	58	212
Others	26	22	103	172	86	211
Totals	559	393	1,811	2,463	1,162	4,660

Data based on those companies listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	53.3	102	100	Aberforth Sp C	100½		-	-	-	-
100	F.P.	28.2	102	92	Abtrust Lloyds	94		-	-	-	-
230	F.P.	57.9	266	230	Azlan	265		L3.0	2.8	1.4	31.5
100	F.P.	116.6	106	96	CLM Insce	106		-	-	-	-
250	F.P.	158.1	250	217	Celltech	224		-	-	-	-
§155	F.P.	284.7	183	178	Chelsfield	182		NM2.4	-	1.6	-
260	F.P.	332.7	320	268	DFS Furniture	319	-1	L6.4	2.1	2.5	24.2
100	F.P.	63.7	100	98	Fairbairn Eur Sm	98		-	-	-	-
180	F.P.	62.7	184	166	Fenchurch	179	-4	W7.2	1.5	5.0	16.0
-	F.P.	32.7	112	101½	Finsbury Under'wrt	109		-	-	-	-
100	F.P.	43.8	110	100	For & Col Small C	109½		-	-	-	-
60	P.P.	18.0	60	59	Friends Prov Eth	60		-	-	-	-
120	P.P.	36.9	123	122	Do. Units	123		-	-	-	-
60	P.P.	18.9	63	62	Do. Zero Div Pf	63		-	-	-	-
168	F.P.	413.1	208	165	Gartmore	205		W4.0	2.0	2.4	25.3
-	F.P.	35.1	119	105	Govett Emrg. C	117		-	-	-	-
100	F.P.	56.0	113	102	Govett High Inc	112	-1	-	-	-	-
-	F.P.	0.7	5	3	†Harmony Wrts	4		-	-	-	-
100	F.P.	24.8	111	106	Insperations	108		NR3.5	2.1	4.1	10.2
50	P.P.	10.4	53	51½	Kleinwort 2nd End	52		-	-	-	-
190	F.P.	62.3	236	191	Litho Supls.	236		R6.5	2.0	3.4	18.2
320	F.P.	32.4	355	333	London Indl	354		uN7.0	1.2	2.5	23.3
100	F.P.	43.5	108	94½	Masthead Insce.	108	+1	-	-	-	-
100	F.P.	535.0	107	98	Mercury Wrld Mng	107		-	-	-	-
§40	F.P.	7.5	42	40	†Millgate	40		2.5	1.8	7.8	9.1
100	F.P.	27.4	110	100	Morgan Grenfell C	109½	+½	-	-	-	-
100	F.P.	27.0	106	98	NM Smllr. Aust.	105		-	-	-	-
-	F.P.	2.6	51	42	Do. Wrts.	50		-	-	-	-
§140	F.P.	66.9	149	139	Nelson Hurst	148		R5.6	1.8	4.7	14.8
100	F.P.	59.4	99	92	New London Cap	99		-	-	-	-
§78	F.P.	57.8	120	94	†On Demand Info	113	+1	-	-	-	-
100	F.P.	16.0	104	100	Pilot Inv C	104	+1	-	-	-	-
-	F.P.	19.6	99	94	Premium Trust	99	+1	-	-	-	-
-	F.P.	16.1	122	107	Premium U'wrtng	122		-	-	-	-
§10	F.P.	2.1	11½	10¼	Rossmont	11½		-	-	-	-
-	F.P.	125.4	232	193	Royal Doulton	226	-1	H6.6	-	3.6	-
60	F.P.	9.2	62	60	†Securiguard En.	61		NR3.5	1.0	7.2	10.8
160	F.P.	60.9	203	178	Telspec	192		R2.5	2.8	1.6	24.1

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1993 High	Low	Stock	Closing price p	+or-
325	Nil	17/1	93pm	83pm	Bemrose	93pm	
65	Nil	10/1	11pm	7pm	Bourne End	8pm	
320	Nil	2/2	53pm	34pm	Bowthorpe	34pm	
50	Nil	27/1	4pm	3pm	Dwyer A	3pm	
280	Nil	11/2	130pm	115pm	Heywood Williams	127pm	-2
36	Nil	10/1	4pm	2pm	Hillclare	2½pm	
195	Nil	31/1	40pm	17pm	NFC	36pm	+1
11	Nil	4/1	7½pm	2½pm	Seni	7½pm	
25	Nil	8/2	8pm	6pm	Sheldon Jones	7pm	
145	Nil	5/1	58pm	18pm	Tay Homes	58pm	+4
32	Nil	31/1	7pm	4pm	West Trust	5pm	
152	Nil	14/1	23pm	11pm	Wyevale Garden	18pm	

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

	Dec. 31	Dec 30	Dec 29	Dec 24	Dec. 23	Yr ago	*High	*Low
Ordinary share	2553.5	2570.4	2598.7	2557.7	2549.2	2185.2	2598.7	2124.7
Ord. div yield	3.64	3.62	3.58	3.62	3.63	4.27	4.62	3.58
Earn. yld. % full	4.12	4.10	4.06	4.11	4.12	5.87	6.38	4.06
P/E ratio net	30.56	30.76	31.10	30.72	30.65	21.74	31.10	19.40
P/E ratio nil	28.42	28.52	28.83	28.48	28.41	20.08	28.83	18.14
Gold Mines	257.7	258.0	250.4	243.1	240.5	63.9	258.0	60.0

*For 1993. Ordinary share index since compilation: high 2598.7 29/12/93; low 49.4 26/6/40
Gold Mines index since compilation: high 734.7 15/2/83 - low 43.5 26/10/71
Ordinary share base date 1/7/35. Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2568.4	2574.3	2570.7	2567.8	2556.9	-	-	-	-	2577.9	2556.8

	Dec 31	Dec 30	Dec 29	Dec 24	Dec 23	Yr ago
SEAQ bargains	20,171	38,746	29,336	15,425	33,718	15,651
Equity turnover (£m)†	-	1303.0	1049.0	560.6	1530.6	383.6
Equity bargains†	-	41,272	30,926	17,548	39,263	17,096
Shares traded (ml)†	-	474.3	390.3	229.1	770.4	265.0

† Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		29¼	+⅛	29⅞	15⅝	16,585	2.3
Allegheny & W	♥	443p	—	722p	399p	253.8	4.5
Amdahl		388p	—	591p	294p	446.6	0.9
Amer Cyanamid		34⅝	—	39	31⅞	3,088	3.4
Amer Express		21¼	+⅛	25⅞	14⅞	10,228	3.2
Amer T & T		36⅝xd	-¼	43¾	33⅛	48,007	2.5
AmeriTech		53	—	58¼	48	23,205	4.7
Anheuser-Busch		33⅝xd	+⅛	41¼	29⅛	9,287	2.9
BankAmerica		31⅛xd	+¼	38⅛	27⅛	11,243	2.9
Bankers NY		64½	-⅛	64¼	42⅝	4,488	3.8
Bell Atlantic		41	—	44¼	32¼	17,876	4.4
BellSouth		40¼	—	42⅝	32⅞	18,888	4.6
Bethlehem Steel	♥	13½	+⅛	13¼	8½	1,221	-
Bowater		1596p	—	1662p	1169p	578.8	2.5
CPC		32⅝	—	34⅝	36	4,989	2.6
California Engy		1249p	-44	1479p	1066p	227.4	-
Chase Manhattan		23¼	+⅛	24⅞	17⅞	4,288	3.6
Chrysler		35¼xd	-¼	39	21¼	10,615	1.5
Citicorp		25	-⅛	28	13⅛	9,478	-
Colgate-Palm		41½	+⅛	46⅝	32	6,628	2.3
Cont'l Bank		1821p	—	1877p	1278p	1,840	2.2
Dana		39⅛xd	-⅛	39¼	29⅛	1,808	2.7
Data General		624p	—	961p	527p	172.2	-
Decora Inds.	♥	79½p	—	146p	79½p	-	-
Dun & Brad		41½	—	45⅞	37⅛	7,399	4.0
Eaton		35	—	37⅛	25⅞	2,435	2.3
Echlin		22⅞xd	-⅛	23⅛	15⅛	1,333	2.0
FPL		26⅝	—	27⅝	23¼	4,687	6.2
Ford Motor		43⅛	+⅛	43⅛	28⅞	21,564	2.4
Gen Elect		71⅛xd	-⅛	71¼	53⅞	61,038	2.3
General Host	♥	468p	—	728p	453p	-	4.6
Gillette		39⅞xd	—	43⅛	31⅞	8,788	1.4
[illegible]							

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS - Cont.

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

هكذا استلم الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Ennex Intl IE	13½	—	16	3¼	11.3	–
Europa Mnls	46	+½	47	15	22.2	–
Glencar Expl IE	15	—	15	6	2.77	–
Greenwich Res	14	—	22¼	5	11.4	–
Hemlo Gold C$	£7⅝	+⅛	£8⅛	£3½	713.7	1.4
Ivernia West IE	37	–1	67	31	18.6	–
Kells Mnls IE	21	—	21	6	0.51	–
Kenmare	9½	–1	13½	6	8.51	–
Milagro Mnls	16½	—	18	14	1.05	–
Navan Res IE	160	+9	160	25	31.9	–
5pc Ln Notes	138	—	148	25	24.8	–
Oryx Gold	45	—	78½	27	–	–
††Ovoca Res IE	24	—	29½	3½	1.67	–
RTZ	812	–1	816	607	8,639	3.0

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other offical estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other offical estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FINANCIAL TIMES
Weekend January 1/January 2 1994

Tele-Communications takes majority stake in Flextech media group

US cable operator enters UK

By Raymond Snoddy

Tele-Communications, the largest US cable television operator, is to create a "second force" in the UK cable and satellite market by merging its European channels with Flextech, a British former oil services company that has turned itself into a media group.

The deal announced yesterday will make the enlarged company the biggest cable and satellite programmer in the UK after British Sky Broadcasting, the satellite broadcaster in which Pearson, owner of the Financial Times, has a significant stake.

Tele-Communications (TCI) is taking a 60.4 per cent stake, valued at more than £200m, in Flextech. Flextech will acquire all the European programme assets of United Artists European Holdings, a wholly-owned subsidiary of TCI.

The enlarged Flextech will hold a stake in five of the 12 satellite channels that make up the basic multi-channel subscription package on BSkyB. These comprise Bravo, which calls itself "timewarp television", The Children's Channel, The Family Channel, UK Gold and UK Living.

A UAEH subsidiary also manages four other channels: Discovery, the factual channel, The Parliamentary Channel, The Learning Channel and Wire TV, an entertainment channel. It is also responsible for the sales and marketing of The Country Music Channel which, like Discovery, is part of the BSkyB package.

The channels involved are loss-making, but the deal is underpinned by 10-year contracts with BSkyB. Each channel in the subscription package receives 15p per subscriber per month. BSkyB said last month that 3.1m homes subscribed to at least one of its subscription services.

When the merger talks were first revealed in October, Flextech shares jumped 49p to 224p. Its shares are currently suspended at 379p.

The agreement will give TCI – at present in merger talks with Bell Atlantic, the US telephone company – a European vehicle for future expansion.

Flextech also announced yesterday it was increasing to 86.7 per cent its stake in IVS, a UK cable company with franchises in Oxford, Stafford, Andover, Salisbury and Jersey.

Change of channel, Page 8

EEA links 17 nations in largest trade zone

Continued from Page 1

passport" for financial services groups operating inside the EU will extend to the whole EEA. Banks and insurance companies will be able to operate and invest across the 17 nations.

One Efta study predicted that more competition in financial services could produce consumer gains worth 1.3 per cent of combined EEA GDP, concentrated heavily in the small, more protected Efta economies.

Capital and labour will, in theory, be able to circulate freely throughout the EEA, with some restrictions on direct investment in areas such as property and fisheries in the Efta countries.

The Efta nations have as a result of the treaty adopted EU competition rules against monopolies, and on mergers and state aid. They also become part of a single market in public procurement, enhancing competition for government contracts throughout the area, estimated by Efta at more than Ecu600bn (£472bn) a year.

The five nations have also aligned their legislation with EU company law, environment, research and development, and social policy. But the 12 and the five maintain separate agricultural regimes under the EEA, and some special provisions on fisheries, energy and transport.

The mammoth negotiations leading to the EEA left these tricky latter issues as the main obstacles to Austria, Sweden, Finland and Norway assuming full EU membership.

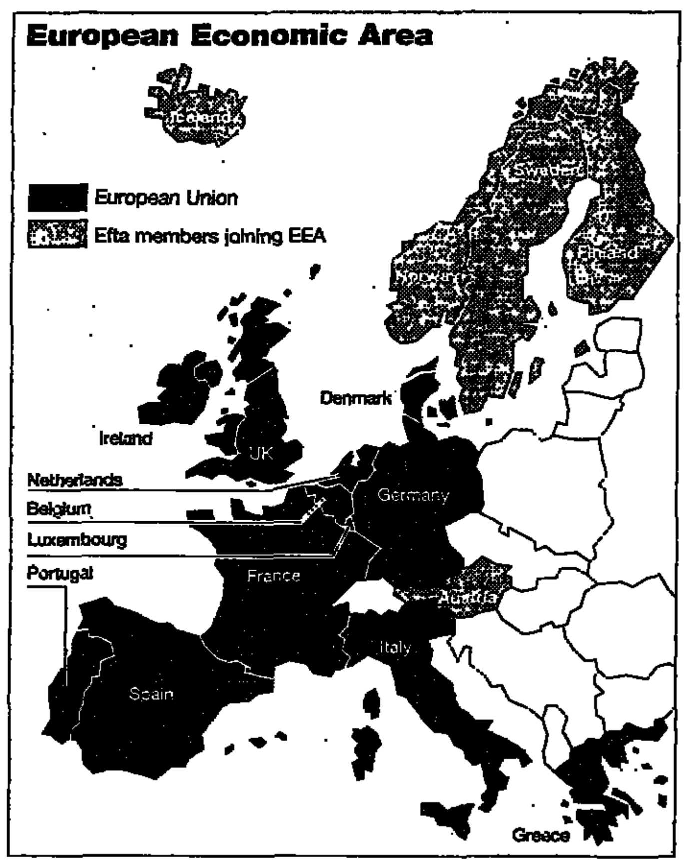
Mr Jacques Delors, European Commission president, originally conceived of the EEA as a half-way house designed to stave off enlargement until the EU had more fully integrated through the Maastricht treaty.

But the realisation among Efta members that they were becoming subject to EU law without the political right to shape it prompted a rash of early membership applications.

However, negotiators from the applicant countries still set store by the EEA as a building block towards full membership and a safety net if enlargement talks fail. This month and next, the most difficult negotiations have to be resolved for enlargement to go ahead in 1995.

If the talks are concluded, applicant governments then face referendums, and have to persuade increasingly sceptical voters that they are not being dragooned into rule from Brussels.

During this fraught period, the EEA could come into its own, as a rallying point for those wary of full membership, and as a fall-back for governments which fail to sell to their electorates the charms of European Union.



US adviser supported Banesto's president

By Peter Bruce and John Gapper in Madrid

The Bank of Spain dismissed the board of Banco Español de Credito less than a day after receiving a letter from its corporate finance adviser, the US bank J.P. Morgan, expressing confidence in Banesto's président, Mr Mario Conde.

A Bank of Spain executive yesterday confirmed that the central bank had received a letter on Monday night, supporting Banesto's management and saying a $400m (£271m) convertible bond issue which had been stalled could take place in the new year if market conditions permitted.

The letter to Mr Luis Angel Rojo, Bank of Spain governor, was signed by Mr Roberto Mendoza, the Morgan vice-chairman who was among Banesto's corporate finance advisers. Mr Mendoza also sat on the board of Banesto, dismissed on Tuesday by the Bank of Spain.

The letter hints at strong differences of opinion between Morgan and the central bank over the state of Banesto's finances. Mr Rojo accused Banesto before a parliamentary committee on Thursday of inadequate management controls.

Mr Rojo referred to "deficiencies of information, organisation and control" at Banesto which had led the bank to expand its loan book too rapidly between 1988 and 1991. This contributed, he said, to a Pta500bn (£2.4bn) overvaluation of the bank's $61bn (£41.2bn) assets.

THE LEX COLUMN

Ruling power

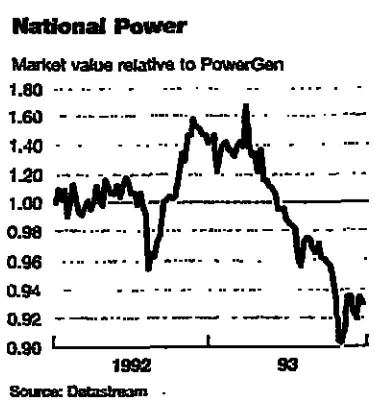
Professor Stephen Littlechild, the electricity regulator, is due to decide the future of the two generating companies by the middle of this month. He has threatened to send them to the Monopolies and Mergers Commission if they do not agree to curbs on their power to move electricity prices. Since the issues are complex and the companies have yet to agree to anything at all, time is short. Professor Littlechild may have to choose between carrying out his threat, imposing a solution or backing down.

The companies may be forced to reduce their market share by selling plant, so encouraging other competitors, or to accept price limits in the spot electricity "pool". Yet price controls run counter both to government policy and the regulator's instincts, while small-scale plant sales may be insufficient to introduce effective competition. Almost all the marginal plant, which only operates part time and sets the price, is owned by National Power or PowerGen. If they were to sell it, the new owner would be tempted to run it full time to earn cash and thereby push some of the generators' more efficient plants into the marginal category, leaving the duopoly continuing to set the price.

National Power and PowerGen may also not be prepared to sell power stations at the low price a part-time plant would command if they suspected that they would subsequently be run full time. Professor Littlechild is unlikely to be able to agree anything but the weakest bromide on plant disposals in time. Voluntary price controls are more feasible, though they would have to be presented as a temporary restraint imposed while a fully competitive market bedded in. The stock market is assuming that this is the worst the companies will face.

Yet judging by the generators' strong share price performance recently, investors may be too sanguine. A price cap may hurt profits more than expected, and arm-twisting to sell plant could be severe. National Power and PowerGen have plenty of pockets of hidden value stored up against such a rainy day, but some of those may soon be sealed. Both generators, but particularly National Power, have made very large provisions against liabilities, which could be added back to profits if they are not needed. Yet the Accounting Standards Board may soon limit companies' ability to flatter profits in this way. The acres of land around disused power stations may also have limited value, given the environmental liabilities they carry.

FT-SE Index: 3418.4 (-10.4)



Steady erosion of the generators' market share will also hurt earnings. That particularly affects National Power, which is likely to cede share more rapidly than PowerGen. Against that, the high level of dividend cover is usually cited as a defence. National Power's cover is already lower than PowerGen's, emphasising the difference in growth prospects. Even without a Monopolies reference, by 1996 National Power may be selling no more than 25 per cent more electricity than its smaller brother. Assuming similar margins, that might imply a market value no more than 25 per cent higher. National Power has lagged recently in share price terms but its market worth is still 45 per cent larger than that of PowerGen. The adjustment may have further to go.

UK equities

There was undoubtedly a lot of froth behind the FT-SE 100's 50 point rise on Wednesday – as is shown by its virtual evaporation in the subsequent two trading days of a holiday-shortened week. That lends weight to the view that the market's run-up in the closing weeks of the year was fuelled by stock shortages and squeezes related to the expiry of futures contracts and options. If so, one must be wary of expecting too much by way of a new year rally. The market may have derived some satisfaction from the still anecdotal evidence of a reasonably strong Christmas in the shops. Then again, the better the economic news, the less reason to expect an interest rate cut early this year, something which the market has hitherto been assuming.

Indeed, the government's natural temptation may be to defer any rate cut until its tax increases start to bite in the spring. The chance that rate cuts in Europe followed by a rise in sterling might force the government's hand must still be regarded as an outside one while the recovery remains on track. So is the possibility that the authorities may decide to smooth inflation by allowing a rate cut before annual mortgage rate reviews at the end of this month.

Uncertainty over timing may cause the equity market to pause for breath, but it should not undermine the basically positive trend. While rate cuts are on the agenda over the next few months, the flow of retail funds into the equity market should continue – and the new highs reached by Hong Kong are a reminder that international liquidity flows remain as strong as ever. Wednesday's record FT-SE close of 3,462 may not hold for long.

Railtrack

The Treasury seems finally to be warming to the transport sector. After its consent to the extension of Eurotunnel's franchise, it has now reduced the return requirements on Railtrack for the early years of rail privatisation. In its first year, Railtrack, which is to operate the track and signalling under the new arrangements, will only have to generate enough revenues to earn a 5 per cent return on capital. This is welcome evidence of a more pragmatic approach – but the target will rise in stages to 8 per cent and the Treasury has still not given much away.

Railtrack has lost the other part of the argument – that its track should be valued at less than its replacement cost of around £7bn. A lower valuation would have reduced the amount Railtrack needed to earn to hit its return target and hence its charges to the private operators, who will actually run the trains. The government must hope its modest concession on return targets will stimulate flagging interest among bidders for such operating franchises. Yet the attraction of low initial charges to train operators is limited. They will also need a franchise long enough to allow for the depreciation of rolling stock. Railtrack could help by meeting the escalation in its profits target entirely through cutting costs, rather than by raising charges to franchisees.

Independent's board split over funding options

Continued from Page 1

and all the signs are that their preferred candidate for a new partner is Mr Conrad Black, who controls the Telegraph Group, publisher of The Daily Telegraph and The Sunday Telegraph.

Such a deal, involving a stake of between 20-30 per cent, could lead to merging of non-editorial functions. The Telegraph would print The Independent and Independent on Sunday in London and the Newspaper Publishing staff might join the Telegraph in its Canary Wharf offices.

Mr Hay Davison, supported by other independent directors, believe they have a legal obligation to explore all alternative sources of funding. "We are now doing this with a view to proposing arrangements that will produce the best solution for all our shareholders, our readers and staff," Mr Hay Davison wrote.

One of his concerns is believed to be the future of non-editorial staff. There are 130 staff shareholders holding in aggregate about 7 per cent of the company, a similar proportion to that held by the main founder, Mr Whittam Smith.

Most are not journalists and many could lose their jobs as a result of a deal with another British newspaper. Mr Hay Davison's letter followed an attack by the National Union of Journalists chapel (branch) on what it said was the "Dutch auction" of titles and lack of consultation.

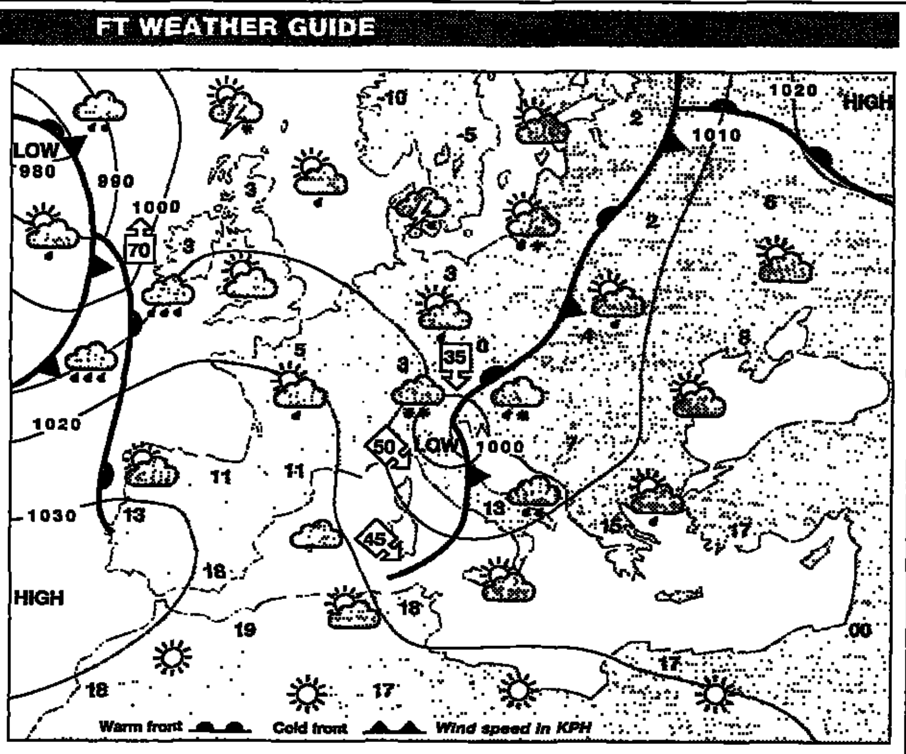
FT WEATHER GUIDE

Europe today

Wet roads combined with freezing morning temperatures will cause hazardous road conditions in the UK and Low Countries. Showers, possibly with thunder and wet snow, will remain possible in northern parts of the North Sea. Heavy rain, which caused renewed flooding in the Benelux, Germany and northern France, will spread to eastern France and central Europe as snow levels in the mountains drop from 1700m to around 900m. During the afternoon, heavy rain and snow are expected to spread to eastern areas. Skies will clear temporarily in the Balkans with an isolated shower. Late in the afternoon, a new area of rain will arrive in Ireland, advancing over the British Isles tonight.

Five-day forecast

Most of Europe will be unsettled. Renewed rainfall is expected on Sunday from the British Isles to northern Spain. On Tuesday and Wednesday, rain will move to central and eastern sections. Snow will accumulate in the Alps over 900m-1200m. Persistent low pressure near the North Sea will give patchy rain interspersed with wintry showers in north-western Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

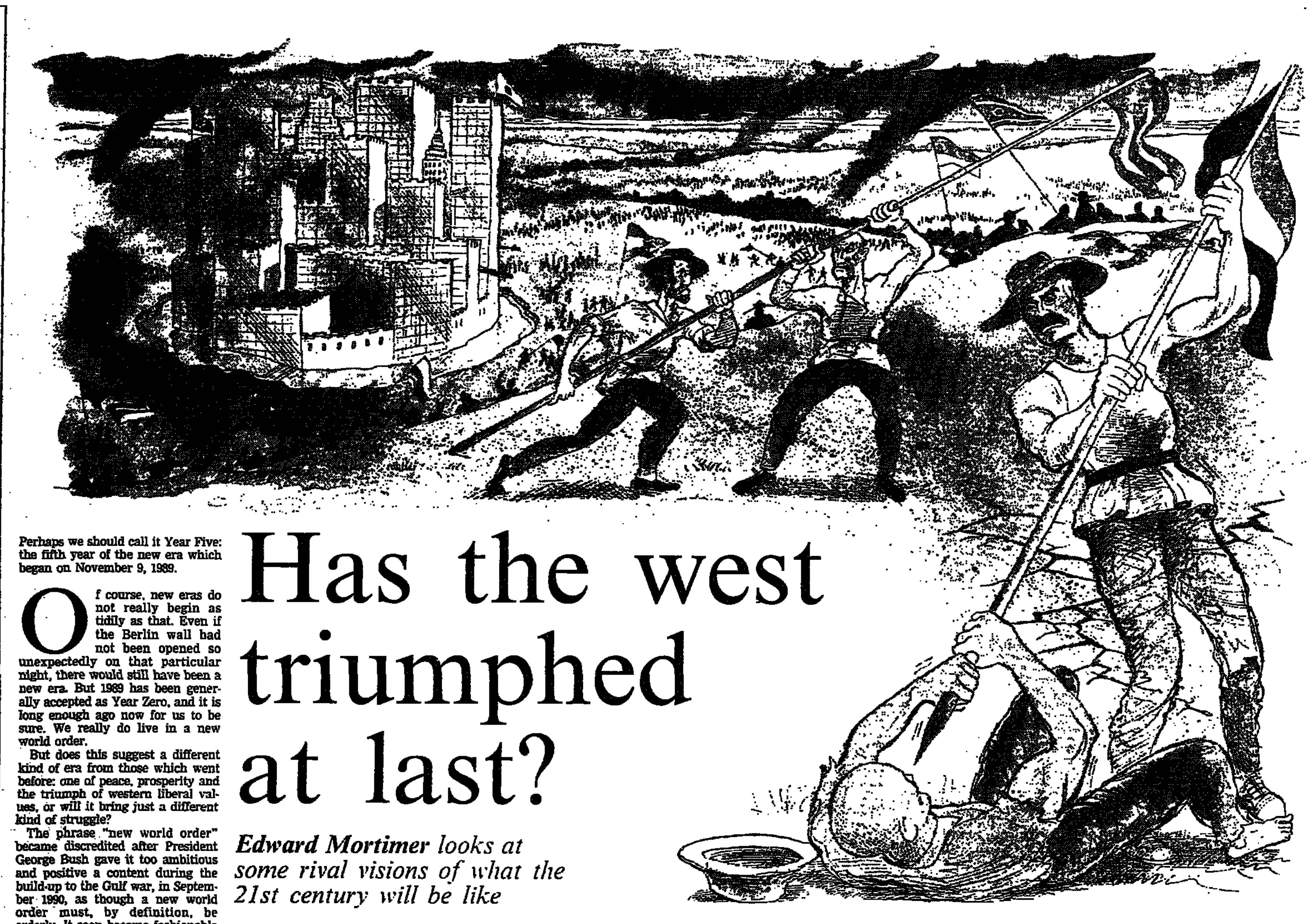
TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	sun	26
Accra	fair	32
Algiers	shower	18
Amsterdam	fair	5
Athens	fair	14
B. Aires	sun	28
B.ham	fair	3
Bangkok	fair	31
Barcelona	fair	14
Beijing	fair	2
Belfast	cloudy	3
Belgrade	fair	7
Berlin	cloudy	3
Bermuda	shower	18
Bogota	fair	19
Bombay	fair	32
Brussels	fair	4
Budapest	sleet	2
C.hagen	cloudy	3
Cairo	fair	19
Cape Town	fair	25
Caracas	cloudy	29
Cardiff	cloudy	5
Chicago	snow	2
Cologne	fair	4
D' Salaam	fair	31
Dakar	fair	29
Dallas	fair	17
Delhi	fair	24
Dubai	sun	26
Dublin	cloudy	4
Dubrovnik	fair	14
Edinburgh	cloudy	3
Faro	fair	17
Frankfurt	cloudy	4
Geneva	rain	4
Gibraltar	fair	19
Glasgow	shower	2
Hamburg	shower	3
Helsinki	cloudy	-1
Hong Kong	cloudy	21
Honolulu	fair	27
Istanbul	fair	11
Jersey	fair	5
Karachi	sun	28
Kuwait	fair	27
L. Angeles	fair	22
Las Palmas	sun	22
Lima	fair	26
Lisbon	shower	14
London	fair	4
Lux.bourg	shower	2
Lyon	rain	5
Madeira	sun	19
Madrid	cloudy	10
Majorca	fair	15
Malta	fair	16
Manchester	fair	4
Manila	cloudy	31
Melbourne	cloudy	21
Mexico City	cloudy	20
Miami	cloudy	25
Milan	fair	9
Montreal	snow	-1
Moscow	sleet	3
Munich	sleet	2
Nairobi	fair	23
Naples	rain	13
Nassau	fair	26
New York	fair	3
Nice	fair	16
Nicosia	cloudy	18
Oslo	cloudy	-6
Paris	shower	6
Perth	fair	35
Prague	shower	3
Rangoon	fair	31
Reykjavik	fair	2
Rio	fair	24
Riyadh	sun	27
Rome	rain	11
S. Frsco	fair	12
Seoul	fair	6
Singapore	cloudy	30
Stockholm	cloudy	-4
Strasbourg	cloudy	5
Sydney	fair	29
Tangier	fair	17
Tel Aviv	cloudy	20
Tokyo	fair	8
Toronto	snow	1
Tunis	fair	18
Vancouver	shower	8
Venice	rain	6
Vienna	sleet	0
Warsaw	rain	2
Washington	fair	7
Wellington	shower	19
Winnipeg	fair	-22
Zurich	rain	4

Weekend FT

NEWS FROM *the* NEW YEAR

CONTENTS



Has the west triumphed at last?

***Edward Mortimer** looks at some rival visions of what the 21st century will be like*

Perhaps we should call it Year Five: the fifth year of the new era which began on November 9, 1989.

Of course, new eras do not really begin as tidily as that. Even if the Berlin wall had not been opened so unexpectedly on that particular night, there would still have been a new era. But 1989 has been generally accepted as Year Zero, and it is long enough ago now for us to be sure. We really do live in a new world order.

But does this suggest a different kind of era from those which went before: one of peace, prosperity and the triumph of western liberal values, or will it bring just a different kind of struggle?

The phrase "new world order" became discredited after President George Bush gave it too ambitious and positive a content during the build-up to the Gulf war, in September 1990, as though a new world order must, by definition, be orderly. It soon became fashionable to joke of the "new world disorder."

But all previous world orders have been more or less disorderly. Even the one we have just left behind – the cold war – was less orderly than it is now portrayed. The two superpowers stayed at peace with each other (just), and imposed peace on what would have been their main battlefield, namely Europe. But millions perished in wars elsewhere – some of them waged or sponsored by the superpowers.

Previous world orders have usually dissolved in war. War was the scale on which a new balance of power could be established, as declining empires were weighed against rising ones, and found wanting. But the cold war suddenly vanished without a shot being fired. Well, almost. Soviet communism simply rolled over and died.

That did suggest that the new world order might really be different from previous ones. One superpower, the United States, and one ideology, liberal capitalism, were left in sole possession of the field. Even before the Berlin wall fell, Francis Fukuyama, the US academic, had identified this change as "the end of history". He did not mean there would be no more conflict, but that serious argument about the basic principles on which society should be organised had come to an end. The superior virtue of political and economic freedom had, he believed, been finally demonstrated.

That sounded like a piece of outrageous arrogance, especially from someone who was, when his article appeared, employed by the US state department (although he wrote it before). He has been ridiculed for it ever since, but was he, perhaps, right? His conclusion would hardly have caused so much debate if it had been self-evidently wrong.

Like his former boss, US president George Bush, but perhaps with less justice, Fukuyama has taken the rap for the failure of the new world order to live up to the Bush prospectus. Bush promised "an era in which the nations of the world, east and west, north and south, can prosper and live in harmony ... a world where the rule of law supplants the law of the jungle ... a world where the strong respect the rights of the weak". That does not sound like the world of Slobodan Milosevic, Vladimir Zhirinovsky, or Mohammed Farah Aideed.

But such unsavoury characters and their policies have little to do with Fukuyama's thesis. However much conflict and suffering they cause, they do not offer the world any alternative model of civilisation. They present no serious challenge to the western prescription for all societies in search of modernity: take one tablespoonful each of free trade and private investment, plus a dram each of property rights and the rule of law; wash down with a swig of multi-party democracy and swallow.

An interesting variant on the Fukuyama thesis appeared last September in a book* by Max Singer and the late Aaron Wildavsky. They divided the world into "zones of peace" – stable, rich democracies – and "zones of turmoil" (everyone else): a distinction reminiscent of

Continued on Page II

The Long View/**Barry Riley**

The big dash from cash

Remarkably powerful bullish forces have been gripping the London stock market during the past few weeks, climaxing in Wednesday's 50-point post-Christmas Footsie surge. It looks as though the coming year will see share prices sliding back after attaining a formidable peak; but although we are in dangerous territory the power of cash flows will not dissipate quickly.

From the middle of last year the UK securities markets became strongly affected by investment flows from overseas, notably from the US where pension funds and mutual funds have been energetically diversifying around the globe. The recent renewed upsurge, however, has primarily domestic origins as the remorseless declines of inflation and short-term interest rates have generated panic buying of longer-term securities.

The cash flow transformation was highlighted by the institutional investment statistics that came out last week.

They suggested that UK institutional cash flows will have exceeded £50bn for 1993. In 1994 the total might easily be £60bn or more.

Twelve months ago, institutional inflows did not appear likely to exceed about £35bn in 1993. But net issues of gilts were set to be well over £40bn and domestic equity issues by companies (including privatisations) also looked likely to have a bumper year (in the event, some £15bn net has been raised). The sums did not add up unless improbably large amounts were contributed from abroad and by personal investors.

Well, improbably or not, the money arrived on a more than adequate scale. And now the prospective balance has been completely altered. In 1994 the government is expecting to borrow less than £30bn through net gilt sales, while corporate equity issues are, if anything, likely to be smaller in total than in 1993. Therefore a big surplus of cash will be seeking a longer-term home, a prospect that has sent long gilt yields tumbling well below 6½ per cent this week.

The desperate dash from cash is creating a financial asset price bubble in the UK, as future streams of income are radically repriced. A consequence is likely to be an increasingly rapid spillage of investment money overseas; moreover, foreigners will be taking profits and seeking less overvalued markets. In order to generate these outflows we should expect UK bond yields to go lower than US and most Continental European bond yields (while sterling will become weak).

We are in the late, panic-buying stage of the equity bull market

The UK is in the process of a normalisation of its savings markets after two decades of high inflation, high nominal interest rates and a distorted yield curve. In those conditions there was a concentration of wealth in equities, owner-occupied residential houses and short-term savings deposits, and an aversion from long-term fixed interest contracts. But in conditions of low inflation and a yield curve which may soon be running from 4½ to 6 per cent the existing asset mix has become inappropriate.

The danger is that although individual savers will see clearly enough that savings deposits are unattractive they will be drawn out of habit into equities (and, soon, residential property) rather than bonds which are still not a familiar or trusted form of investment for British savers.

At a guess £50bn, maybe more, has to come out of short-term savings accounts over the next two or three years. Theoretically this could be achieved by refinancing a large chunk of the mortgage industry through the securities market. But unless savers can be persuaded to buy building society bonds there could be a crisis: equity valuations will be pushed to freakish levels while house buyers will continue to pay unduly high loan rates.

Already the dividend yield on UK equities has been pushed down to 3.3 per cent, not far from the 3 per cent level which several times in the past (most recently in summer 1987) has marked danger point. At least, in 1987, dividends were rising fast. It is curious that over the past three years the All-Share Index has soared by 64 per cent while dividends in aggregate have risen not at all.

Company profits are rising steadily, but in several recent cases they have disappointed expectations. In 1994 the British economy will have to tread a tightrope if it is not to upset investors – expanding rapidly enough to generate adequate profits growth but not so fast as to cause the government to panic about renewed inflation and raise interest rates again in a way that would burst the bubble. Still, this is how it seemed in the US a year ago, and the American economy – to Wall Street's relief - somehow managed to stay on the wire.

Yet Britain's economic prospects are opaque, largely because of the dubious quality of the statistics. According to the latest figures, third quarter growth in GDP year-on-year was 2.1 per cent but 1992's GDP has been revised upwards, so that growth is 2.8 per cent on the basis of what was *initially* reported for 1992. Moreover the Treasury claims that underlying trend growth is 3 per cent; if you believe this, then because unemployment is *falling* actual growth must surely be higher than that – say, 3½ per cent. On a more pessimistic basis you can argue that if the stated 2 per cent growth is pushing down unemployment the underlying growth of capacity cannot be more than about 1½ per cent in which case the Treasury's projections for higher tax revenues and lower Budget deficits over the next few years will be blown spectacularly apart. Of course, the unemployment figures could be completely misleading anyway ...

What we *do* know about 1994 is that a great deal of money will be on the move and that much of it will be invested at the wrong price. We are in the late, panic buying, stage of the equity bull market which is likely to peak during the coming year. For the time being it may be painful to be out of the market, but UK equities are now only for the brave and nimble.

NEWS FROM *the* NEW YEAR

LOTTO / LLOYD'S / SCIENCE

Roll out the barrel for a UK lottery

*But the real battles are yet to come, warns **Michael Thompson-Noel***

Late this year, or early next, Britain's national lottery will start producing millionaire winners, plus geysers of cash for numerous good causes. Peter Brooke, the national heritage secretary, says the lottery's impact on Britain's quality of life will be considerable, and that it may turn into the world's most successful tombola.

So it flipping well should, for Britain is staggering into the big-time lottery business very late in the day. Not since 1826 has Britain had a national lottery.

In the meantime, large-scale lotteries have sprung up everywhere, bestowing sudden and shocking wealth on thousands of players while raising billions in revenue for state and national governments. In the European Union alone, gambling is reckoned to be a $40bn-plus business, and new technologies are pushing the frontiers of gambling beyond national borders.

Britain's laggardly progress on the lottery front was due to opposition by the football pools promoters, whose lucrative business – based on forecasting the results of football matches – is a form of long-odds gambling closely akin to lotteries.

But the case for a UK national lottery distinct from the football pools was always a strong one. And the likelihood is that Britain's overdue debut on the big-time Lotto stage will influence the evolution of international gambling – producing, next century, mega-lotteries for planetary good causes.

Britain's national lottery will be job-positive, creating work in the construction, computer and other industries. And costs as a percentage of stakes ought to be excessively slim.

Peter Davis, the lottery's director-general, is required by law to drive the hardest possible bargain with the operator. It is his job to ensure that the greatest sum possible is delivered to the recipients – charities, the arts, sport, national heritage and the Millennium Fund to celebrate the year 2000.

Moreover, the UK lottery is likely to be mounted and marketed with state-of-the-art skills. Its launch advertising budget will be one of the fattest plums in UK advertising history. And, with a wealth of foreign lottery experience to draw upon, there will be no excuse if Britain's Lotto isn't the most secure and technically advanced operation of its kind.

All's well that ends well? Not on your life.

The lottery has already generated great quantities of snooty chitter-chatter, and will generate far more. Some stick-in-the-muds are offended that Britain should descend to anything as "tacky" as a lottery to fund good causes.

Kill-joys worry about the social consequences – will it spawn addicts casting money they cannot afford into Lotto's chomping jaws? Some even fret that a big-scale lottery is unfair on the poor, maintaining that the least well-off will be subsidising the cultural pursuits of a prosperous élite. This accusation is particularly woolly-minded.

The government says it believes that proceeds of the lottery "will benefit everyone with an interest in sport, the arts, our heritage, or who benefits from charitable activities." And it ought to be obvious, even to economists, that if the "poor" buy most of the tickets, the "poor" will win most of the prizemoney.

The wrangles to come will be more significant. There could well be controversy over the selection of operator, due by the spring.

Bids for the seven-year licence must be submitted by February 14. Various blue-chip consortia are readying to bid, and the battle will be intense.

But the commercial consortia jostling for the franchise face particularly tricky rivals in Richard Branson, boss of Virgin Atlantic Airways, and Lord Young, chairman of Cable and Wireless, who have formed the UK Lottery Foundation.

If the foundation won the franchise, it would hand all its profits to charity. Young and Branson are likely to face at least seven rivals. If one of them scoops the franchise with a less than wholly convincing bid, there could be uproar.

Branson has claimed that the public would spend an extra £1 or £2 on the lottery per week if they knew that all profits were earmarked for charity – though he cannot know that.

On the other hand, in a letter to the *FT* eight days ago, Branson wrote: "[A lottery company] is not a particularly entrepreneurial venture. Therefore, the question that needs to be asked is: is it really necessary to add an extra layer of shareholders, over the managers, who can sit back and cream off hundreds of millions of pounds of profit that could otherwise be going to good causes?"

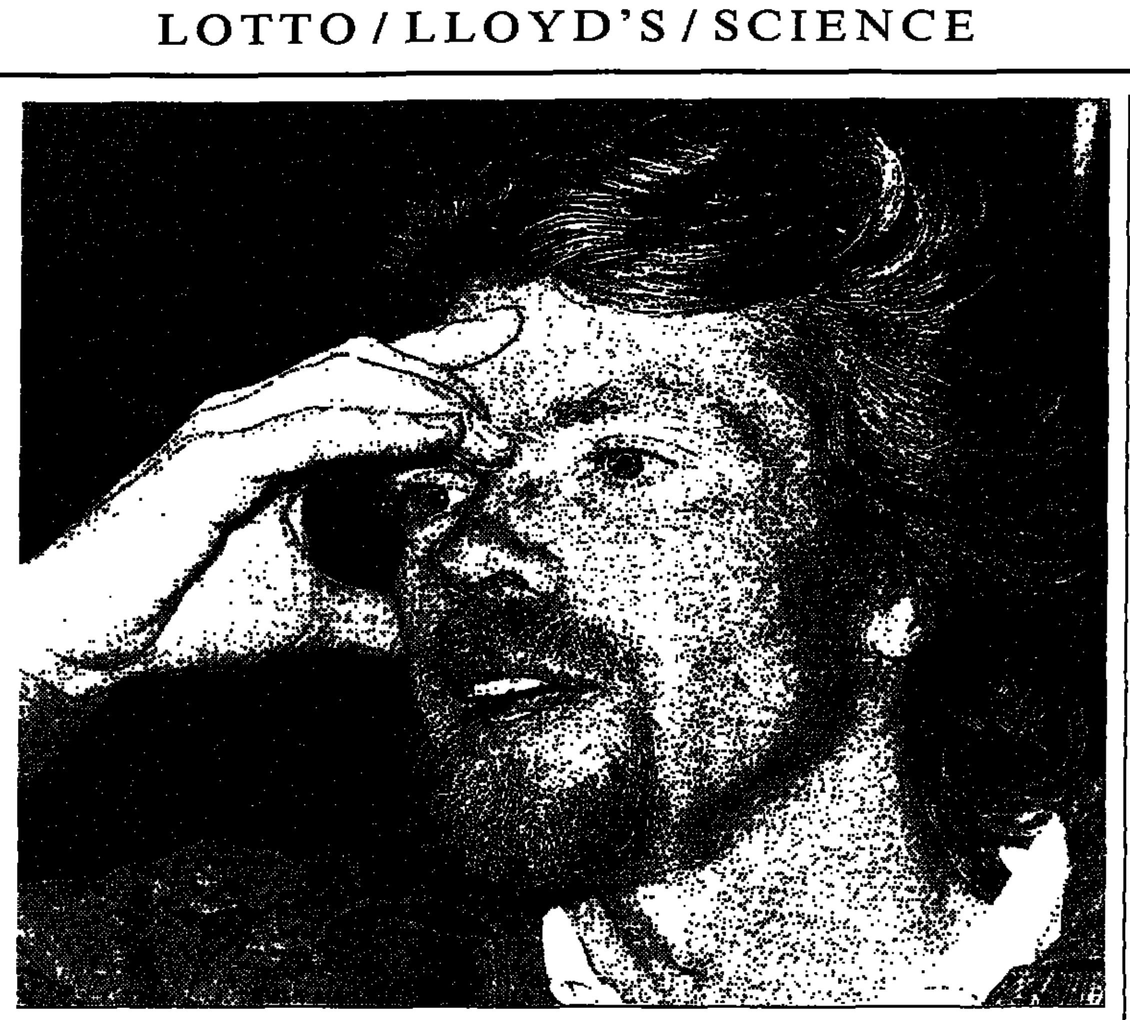
Forecasts of the lottery's annual turnover range from about £2bn to a fanciful £6bn, with £3.5bn-£4bn the most likely once it is into its stride. Half the money will be given out in prizes while the government – greedily – has stated that it will confiscate 12 per cent of turnover in lottery tax, rather than allocate the maximum sum possible to good causes. The operator's expenses and profits will account for about 13 per cent of turnover, leaving about 25 per cent for spending on good causes.

The biggest disputes are likely to erupt as soon as the lottery is working and decisions fall due on allocating the proceeds. Think of the non-stop rubbishing that the present-day Arts Council attracts – then multiply by five.

For example, a National Lotteries Charities Board will be established to distribute lottery funds to charities, and the Queen is appointing a Millennium Commission to oversee projects marking the turn of the century. The lobbying and the foaming at the mouth likely to break out once those two bodies knuckle down to business may well swamp customary controversies in sporting, arty and heritage circles.

In the end, though, Britain's national lottery will prove exciting and successful, spreading cheer to places where cheer was long thought extinct.

In turn, the evolution of gambling seems likely to gain pace as the communications revolution unfolds. Eventually, trans-national and global lotteries seem inevitable – planetary tombolas to save the elephant, fight famine, counteract tyranny or buy Italy.



Press Association

Richard Branson ... under his consortium's proposal, all the lottery's profits would be handed to charity

Lloyd's plans a future with no Names

***Richard Lapper** on the aftermath of the losses suffered by syndicate members*

"My feeling is let them all rot in Hell. I could not have been worse treated by Lloyd's," says Hugh Taylor, bruised and embittered by his experience as a Name in the London insurance market.

He is one of many Names – individuals whose assets have traditionally backed the market – who have been financially crippled by heavy underwriting losses at Lloyd's since the mid-1980s.

Taylor, like 21,000 others, must choose over the next month between accepting Lloyd's offer of modest compensation for his losses or pursuing long and uncertain legal action against his agents.

The omens are not good for Lloyd's. "It doesn't seem very brilliant," says Taylor. "It is most unlikely I will accept. I consider I've been dealt with dishonestly and dishonourably and I am entitled to an apology and some compensation for the stress I have suffered." His losses from Gooda Walker syndicates already amount to about £440,000.

The failure of the settlement would mean that more than 30 legal actions involving 17,000 Names will continue. That – and the prospect later this year of another £1bn loss when 1991's results are reported – is bound to revive speculation about the future of the insurance market.

In spite of these gloomy signs, though, there is a surprising air of optimism at Lloyd's. Underwriters say that trading conditions are among the best they have seen, following increases in rates of up to 400 per cent.

Impressed by a turnround in the quality of management at Lloyd's and attracted by the promise of bumper profits in 1994, city institutions have invested more than £850m in a dozen new Lloyd's investment trusts in the past three months. Against expectations, Lloyd's capacity – which reflects the strength of the market's capital base – will rise to about £10bn this year, the first time it has risen since 1990.

Although 13,000 Names like Hugh Taylor have been forced out of the market since the late 1980s, among the 19,000 who remain the appetite for comfortable profits is overcoming concern about potential loss.

As fear recedes, hundreds of Names are increasing their commitments. "A quiet confidence is returning to the counties – good heavens yes, oh yes, yes, yes," says Robert Wharton, a Bristol-based solicitor, who organises the Avon and Gloucestershire region of the Association of Lloyd's Members.

Wharton says that the number of Names in the county has fallen but that those who remain intend to increase their investment this year. The Wharton family itself – Wharton's wife, Fiona, is the Name – has decided to raise its investment, increasing the "line" (amount traded) by about £100,000 in 1994.

Even though several of the Whartons' friends have lost heavily at Lloyd's in the past two to three years, little can damp Wharton's optimism.

"There is a tremendous disparity between the popular image and what is actually going on," says one Name, who intends to increase his commitment from £2.5m to £5m this year.

Robert Saunders, 34, who advises Names on their Lloyd's affairs for Smith & Williamson, is equally bullish. "I've been scraping together anything I can – shares, tax recoveries – to increase my deposit at Lloyd's," says Saunders, who wants to increase his "line" from £475,000 to £565,000 this year. Indeed, some Names who had earlier resigned from Lloyd's have decided to rejoin the market.

"I'd just lost confidence in it. I couldn't see them getting out of trouble," says Daphne Thomson, who lives in the London suburb of Southgate and resigned in 1992, only to rejoin a year later. News of the formation of new Lloyd's investment trusts was an important factor in her decision. "It gives you a reasonable feeling that the people who know the City are not allergic to Lloyd's."

Philip Gwyn, who founded and now chairs the Christie Group, a hotel and valuation business, also reversed an earlier decision to resign, rejoining for 1993 after a four-year absence. A change in the quality of management and clear signs of a turn in the insurance cycle were two of the reasons.

Recent losses and litigation should reinforce these trends. While losses and scandal have reduced the social cachet of Lloyd's membership, Names themselves have been forced to take a much more businesslike view of their participation at the market.

"It will be a cold blooded decision taken each year after proper consideration," says Gwyn. Thomson says the days when Lloyd's membership passed down through families – generation by generation – have gone.

"You don't automatically assume you will always be a Name at Lloyd's any more," adds Thomson.

The influx of corporate investment has lead some senior figures at Lloyd's to speculate publicly about the future of unlimited liability.

Robert Hiscox, the deputy chairman of Lloyd's, wants most names to become shareholders in new Lloyd's insurance companies. He says that the market should not have two classes of shareholder and ought to consider whether new unlimited liability Names should be allowed to join the market at all.

"We have got to go towards limited liability. The question is how do we do it." Unlimited liability "causes too much grief", says Hiscox. "Every 30 years or so we have blown Names out of the water. I just don't want anybody in future to have to sell their homes to meet losses."

Ultimately Names will die out anyway. This year only about 50 will undergo the ritual of the "rota", where new Names are told that all their personal possessions are on the line to meet insurance losses. The average age of Lloyd's Names is now 58.

As David James, a Name and leading businessman, said recently: "There is not going to be a new flood of Names. Anno Domini and our losses mean that we are an eroding asset."

Big science seeks Wimp

Progress towards answering the biggest questions in science – about the origins and future of the universe – depends ultimately on a partnership between scientists working on unimaginably different scales of time and distance. Astronomers and cosmologists are observing and trying to understand events that occurred billions of years ago and billions of light years away; at the other extreme, particle physicists are investigating collisions lasting billionths of a second on a scale of billionths of a millimetre.

But the two types of scientist enter 1994 in very different moods.

Cosmologists are in a frenzy of excitement, fed by observations from space and from ground-based instruments, as they weave new theories about the cosmic boom that brought the universe into existence 15bn years ago. Their sense of anticipation is heightened by last month's repair of the Hubble telescope, which will enable astronomers to see further into space.

Particle physicists, in contrast, are mourning a terrestrial bust. Pressure from congressional budget cutters forced the US to cancel what would have been their most powerful instrument – the $10bn Superconducting Super Collider (SSC) – after spending $2bn digging the first section of its 85 km tunnel beneath the plains of Texas.

October's SSC cancellation not only deprives physicists of a means of smashing together elementary particles at energies high enough to mimic, on a microscopic scale, conditions soon after the Big Bang. It also shows that they can no longer count on the US, the world's chief paymaster for big science projects for the past two generations, to fund ever more expensive machines to delve deeper and deeper into the nature of matter.

Instead they have to rely on Europe's more cautious governments – and in particular on Cern, the 19-nation particle physics laboratory outside Geneva. This year Cern members must decide whether to pick up the baton and build a new accelerator.

Cern's proposed Large Hadron Collider is relatively cheap, with an estimated price not much above £1bn. That is partly because LHC would be smaller than SSC but mainly because it does not need a new tunnel; it can share the 27 km loop housing Cern's current accelerator, LEP. Whereas LEP smashes together light electrons and positrons LHC will collide protons – relatively heavy particles – at virtually the speed of light.

Christopher Llewellyn Smith, the Oxford physicist who takes over as Cern director-general today, estimates that LHC would cost £4bn to build from scratch. Most observers believe that European science ministers will agree to fund LHC at the bargain price, though construction may be delayed by attempts to negotiate some US participation.

LHC collisions will release more energy – within an extremely confined space – than any previous events on earth. Some of this should manifest itself in the form of subatomic particles last generated in the first moments of the universe. Most eagerly anticipated is the "Higgs boson", the particle believed to give all matter its mass.

While particle physicists try to recreate conditions of the Big Bang on earth, astronomers and cosmologists look for direct evidence of its aftermath in the skies. Fortunately they have a much wider choice of instruments and greater diversity of data. No single event, even the loss of the Hubble space telescope, could have such a devastating effect on astronomy as the SSC cancellation did on particle physics.

Take, for example, the momentous announcement in April 1992 that the US Cosmic Background Explorer satellite had detected "cosmic ripples" of microwave radiation from the young universe – the first signs of the unevenness which gravity later pulled into clusters of galaxies and stars. Since then the observation has been confirmed and extended by several other instruments, operating from the ground and from high-altitude balloons as well as from space. If Cobe had failed, the ripples would still have been discovered.

Besides consolidating the position of the Big Bang in cosmology the ripples have helped to support some specific theories about the development and structure of the universe. They fit well with the "inflationary" model, which postulates a super-expansionary burst immediately after the Big Bang: random fluctuations during this period, lasting less than one billion billion billionth of a second, sowed the seeds of unevenness.

The observations are also consistent with a universe precisely balanced between being "closed" and "open". If so, it would contain exactly the right amount of matter for gravity to stop the universe expanding, after an infinite period of time, but not enough to pull everything back together again eventually in a Big Crunch.

Such a universe, with a "critical density of one", appeals strongly to cosmologists' yearning for mathematical neatness. One practical consequence is that the universe must contain a vast amount of "missing mass" – 10 to 100 times more than all the visible objects (galaxies, stars, dust clouds, quasars and so on) observed so far.

Perhaps the greatest astronomical priority for 1994 will be to investigate the nature of this "dark matter". Candidates include: ordinary matter in the form of planet-sized Massive Compact Halo Objects; billions of small black holes; slow-moving and virtually undetectable Weakly Interacting Massive Particles; and neutrinos moving at virtually the speed of light. The smart cosmological money is backing a combination of Machos and Wimps.

Clive Cookson

Has the west triumphed?

Continued from Page I

the traditional Moslem one between the House of Islam and the House of War, although in this case the entire Islamic world, with the possible exception of Turkey, finds itself consigned to the zones of turmoil.

They believe that for 85 per cent of the world's population, living in the zones of turmoil, life will continue much as the philosopher Hobbes described it in the state of nature: "Poor, nasty, brutish and short". But the prospects of the other 15 per cent, in the zones of peace, are more secure than ever before. All the most powerful states are now democratic. They will continue to be so, and will not threaten each other with war.

Russia will probably not be democratic for very long, but it will not be very powerful either. The main element in Soviet power was the "ability to use communist ideology and a massive system of political agents, allies, supporters, and sympathisers in programs of deceit and political warfare"; and that, argue Singer and Wildavsky, has gone beyond recall.

They admit that a country or group in a zone of turmoil might threaten a major city in a zone of peace with clandestine weapons of mass destruction ("suitcase bombs"). But even if such threats or attacks happen, "they would not alter the nature of the international system".

Such a glib dismissal of uncomfortable thoughts does not necessarily undermine Singer and Wildavsky's argument, which is that we are witnessing a "gradual change in the technical basis of power, the continuing triumph of quality over quantity, of brain power over muscle power, of mind and imagination over physical resources, of the uncontrolled order of freedom over the rigid order of central control and planning". Thus to retain power, states are almost obliged to be democratic, and democratic states are very unlikely to fight each other.

But do modern states really have to incorporate western democratic values? A formidable challenge to such ideas appeared last summer in an article by Samuel Huntington, doyen of US political scientists, in the magazine *Foreign Affairs*, entitled "The Clash of Civilisations?". He thinks there will be "non-western modern civilisations," which the west will "increasingly have to accommodate", because their power will approach its own, yet their "values and interests" will differ significantly.

Huntington agrees with Singer and Wildavsky that "military conflict among western states is unthinkable, and western military power is unrivalled". He admits that "to date only Japan has fully succeeded" in becoming modern without becoming western. He qualifies even that assertion by saying that "Japan has established a unique position for itself as an associate member of the west". But he insists there will be major conflicts in future, whether or not they take the form of world wars, and that the main lines of conflict will be drawn between "civilisations". He even suggests the "Islamic" and "Confucian" civilisations may get together to mount a concerted military challenge to the west.

In response to Huntington's article, pundits ranging from Robert Bartley, of the *Wall Street Journal*, to Liu Binyan, a leading Chinese dissident, reaffirmed their confidence in the universal validity of the western liberal model. More interesting was the response of a former Singaporean permanent representative at the UN, Kishore Mahbubani, from whom Huntington had borrowed the formula "the west versus the rest". Mahbubani endorsed Huntington's thesis but went further. The west's power was declining, he warned, its civilisation decadent – and its arrogance calculated to provoke the anger of other civilisations that are on their way up.

Undoubtedly it is from Asia that the most serious challenge to western leadership is coming, in ideas as in commerce – and Singapore seems to have cast itself as Asia's ideological champion. Chan Heng Chee, another former Singaporean ambassador, argues** that "democracy is but one virtue in the basket of virtues to be weighed", and complains of "a new found mission in the west to use the imposed category as an international merit test, with democracy hardliners putting on the pressure for change world wide to adopt the democratic model

'Japan and Asia may achieve more with western ideas than the old west can'

or more precisely, the liberal democratic model". Developing economies, she says, may benefit from a "postponement" of democracy, and when it eventually arrives, Asian democracy must be expected to look different from the western type: it will be less permissive, more authoritarian, stressing the common good rather than individual rights, often with a single dominant party and nearly always a centralised bureaucracy and "strong state".

This was the essence of the position put forward by most Asian governments at last June's UN human rights conference in Vienna. It is hotly contested by various non-governmental Asian voices, such as that of Christine Loh, a member of Hong Kong's legislative council (LegCo) who attended the Vienna conference on behalf of the International Commission of Jurists. "The existence of indigenous Asian human-rights movements," she says, "refutes the claim that such rights are a western concept."

Governments in the region would reply that the movements in question are not really indigenous, but by-products of western colonialism. Is this special pleading by authoritarian governments on the defensive, or the authentic voice of a rising civilisation that aims to compete with the west?

Perhaps a bit of both. Part of the argument is essentially pragmatic. People like Chan Heng Chee are not disputing that the basic mix of democracy and capitalism is good for Asia in the long run. They are saying (a) that not all democracies have to be exactly alike (which is self-evident) and (b) that few if any societies can take the whole western prescription at one gulp.

The current economic success of China, where capitalism has been embraced with enthusiasm but democracy has been "postponed" *sine die*, so to speak, may seem a telling point in their favour when compared to the chaos now afflicting Russia, which is trying to swallow both democracy and capitalism at once. But perhaps one should watch both Russia and China a few years longer before making a final judgment. And meanwhile, what about India, where democracy has been practised after a fashion for nearly half a century, and capitalism is now going from strength to strength? Certainly the brief interruption of democracy in the mid 1970s did little to advance India's economic development. This argument will run and run.

Even if Fukuyama, Singer and Wildavsky turn out to be right, and western civilisation is the universal model of modernity, that does not mean the present western countries will come out on top. Japan and other Asian countries may achieve more with western ideas and institutions than the old west can.

Huntington is clearly on to something when he says that the sense of belonging to a particular civilisation or culture is getting more important in determining how people line up against each other in a given conflict. That factor was not absent in the past, but it was partially eclipsed by ideological conflicts which now seem to have burnt out. To that extent Huntington is confirming Fukuyama's thesis, not contesting it: no longer disagreeing about the Big Idea, people have only their group interests left to fight for, and you cannot define group interests without first defining the group.

For although states are still very important, in most parts of the world they no longer provide their inhabitants with an all-sufficient sense of identity. You define yourself as belonging to a race, religion or culture, and then try to get the state you live in to reflect that identity and the values that go with it. If the state you live in cannot or will not do that, because it is controlled by another group with a different identity from yours, you are likely to transfer your allegiance to another state, or even try to set up a new one. This is one of the most potent sources of conflict in the world today.

But will it translate into a global "clash of civilisations"? I find that much harder to imagine, and if it happens I feel reasonably confident, along with Singer and Wildavsky, that something more like modern western civilisation than any other will stay on top. But then I would say that, wouldn't I?

* *"The Real World Order". (Chatham House Publishers, Chatham NJ, £11.95.*

** *"Democracy and Capitalism: Asian and American Perspectives". (Institute of Southeast Asian Studies, Singapore.)*

NEWS FROM *the* NEW YEAR

THE FUTURE OF WORK

Job fears are becoming a global concern. Financial Times writers report from Roubaix, in northern France, Bangkok and London

Prepare to man the barricades

Nicholas Woodsworth on the plight of French industry

There is not much life to be seen along the Roubaix Canal these days, particularly on a bitterly cold winter's morning. Viewed from here, the industrial heart of northern France is a grim, ghostly vision, a dark landscape of empty streets shrouded in fog.

On the canalside, a man fishes where factory effluent has melted the ice. Shadowy figures move behind the steamy windows of the Café de Calais. All is silent, but for the muffled noises emerging from the old Fabrique Leroux next door.

The sounds coming from the Leroux mill are not productive ones. After years of inactivity, the plant is being demolished piecemeal. Inside, a bulldozer and a team of Arab immigrant workers are vigorously smashing, pounding, cutting and burning. The work keeps them warm.

But one man stands quietly in the cold, watching the world come banging down around him. He has come to rescue a few timbers from the fire on the factory floor in order to heat his own house. He has lingered to watch the hammers and flames destroy the only kind of work-place and life he knows.

For this destruction he blames the sweatshops of Asia.

In its heyday, the Leroux woollen mill employed 1,200 workers. Along with thousands of other factories it made the region surrounding Lille the largest and most prosperous textile centre in France. More than half of the country's fabrics and clothing came from this one small area on the Belgian border.

Since the early 1960s, however, 75 per cent of the textile jobs have vanished; in the past 10 years alone, job numbers have plummeted from 110,000 to 48,000. As the mills disappear, the number of unemployed people continues to rise; in the Nord/Pas de Calais region, unemployment resulting from decline in the textile, mining and steel industries now approaches 250,000. Few of the 1,500 textile and clothing plants that remain are untouched by the crisis and the future of Roubaix mill workers, both in work and out, becomes ever less sure.

Roger Glorieux's life has been anything but glorious. His father and grandfather were woollen mill workers. Roger started in Roubaix mills at 14 and stopped 45 years later when the plant in which he was employed as a machine maintenance mechanic closed down.

"At 74, it is hard to see it all go like this," he says. "We worked six days a week and it wasn't a luxurious life. We couldn't buy the things working people today can buy – if something breaks now, people just throw it away and buy another. We used to repair things. But, back then, at least we had work we could count on. You cannot do that today. I liked the life."

Like most of the residents of Roubaix, Glorieux has no hesitation when asked the reasons for his town's demise. "It is many things but, mostly, it is south-east Asia. Workers there produce everything so cheaply. Salaries are low. Workers get by on a few bowls of rice a day. They do not take holidays. They work six days a week. Raw materials are cheap. Their bosses do not have to pay the social charges our bosses do – pensions, unemployment insurance, paid holidays. Of course they can keep prices down. How can we compete against that?"

But if Glorieux attributes Asian success partly to the kind of regime Frenchmen followed before the introduction of social legislation for workers in 1936, he also blames European mismanagement. "It is partly the fault of the French government. They should have put a brake on cheap imports long ago. And now, with the European Union, it is even worse. We cannot control the frontiers; anything can come in."

A battered hand brings a roll-up cigarette to his mouth. "It is also the fault of the bosses. They used to run their businesses like little kingdoms, each one looking after his own interests. They should have worked together. They have modernised now, but it is too late."

Is the situation beyond repair? "The great days of the mills are over," says Glorieux, with a Gallic shrug. "We do not even wear that much wool any more. We must find other things to do, using the skills we have. My son is a computer programmer. But he is lucky. I feel sorry for the young ones who have nothing ahead of them."

On the whole, his analysis echoes that of industry and government pundits. Like them, he accepts the need to develop new kinds of jobs, new professions, new industries providing the region with a competitive edge; and, like them, he is not quite sure just what these might be.

The fact is that, with no real solution in sight, most authorities in France are as anxious to preserve the past as embrace the uncertain future. In the face of unbeatable competition, they assert, the protection of old and ailing industries is the only way jobs can be preserved.

The rules of global trade have become unfair, says Jean-Paul Robert, the secretary-general of GRIT, a regional grouping of textile industrialists. In France, employer-paid social provisions equal the cost of wage bills; in developing countries, there are often no provisions.

Many non-European textile producers subsidise exports, practise dumping, copy styles and production techniques illegally and get round quotas by illegal imports or by "Europeanising" products through minimum value added tax.

All these practices render French textiles uncompetitive. In the past four years, imports from Thailand and other Asian countries have grown by 50 per cent; more than half the textiles on the European market are now imported. Worst, complains Robert, a system of unequal tariffs allows foreign textiles cheap access to European markets but, effectively, bars European producers from foreign markets.

"China is the great competitor of the future. It puts high tariffs on imports and pays its workers next to nothing. Yet it exports cheaply to Europe," he says. "It is unthinkable that we put Frenchmen out of work because of this. We are all for a Gatt agreement provided it is adjusted so the same rules apply to everyone. If it is not, we demand barriers that will protect us."

Suggest to Robert that, for all Roubaix's suffering, he is advocating measures that hinder developments in a new global economy, and he will tell you they are not developments the continent of Europe can survive. Suggest that protectionism is out of favour and he counters with his own provocative suggestion. "Trade barriers may seem unfashionable," he says, with a smile, "but wait. It will not be long before they are back in fashion in Europe once again."

Colin Beere

Roger Glorieux: 'At 74 it is hard to see it all go like this . . . they should have put a brake on cheap imports long ago'

The Asian rivals to Euromen

Victor Mallet finds women in modern factories pose a formidable threat

European manufacturing workers may think their jobs are threatened by millions of skinny, poorly-paid Asian men toiling in the sweatshops of the East, but their real rivals are much more formidable: Asian women in modern factories.

In the factories and electronics plants of Asia's cities, as in the rice-fields of the Asian countryside, women do most of the manual labour.

Thailand's Alucon Manufacturing is no exception. It makes aluminium tubes and aerosol cans for consumer products, including toothpaste, deodorant, K-Y lubricating jelly, duplicating ink, glue and instant gaskets. Most of the managers and technicians at Alucon's factory on the outskirts of Bangkok are men, but most of the workers are women.

Aunreuan Punfak, 45, has been employed for 24 years by the company, where she now inspects the final product before it leaves the plant. On the day of my visit the factory had been making Colgate toothpaste tubes (by impact extrusion) and painting them by machine for the Thai market.

Like many of her European counterparts, Aunreuan is entitled to 30 days' sick leave a year. Has she ever been off sick? "Never," she replies.

Hartmut Schneider, chairman and managing director of the company, is a firm believer in the value of female employees. "Women in Thailand are much better than men," he declares. "They are much more 'with' the job, they are more loyal, they are more interested in keeping the job. They think about what they are doing. They are interested in producing something beautiful. We have many employees, especially women, who have not been sick a single day in five years."

Some of the clichés about Asian workers are true: they are hard-working (doing up to 130 hours overtime a month); they are loyal; and they earn less than their western competitors. The legal minimum daily wage in the Bangkok area is 125 baht (£3.30), and the German-born Schneider reckons the 850-strong workforce at his two plants account for about 22 per cent of total costs, compared with as much as 60 per cent in some European factories.

But there is much more than cheap labour to the success of companies such as Alucon. Although Alucon took advantage of a shortage of capacity in the west and exports some of its products to Europe and the US, its main markets are in the booming economies of China and south-east Asia.

"A lot of the industries that use our containers have relocated to this part of the world and it's logical that they are looking for local suppliers," says Schneider. "You have a huge increase in demand for consumer products."

Alucon is meeting this demand for quality consumer goods not – as jealous European workers might believe – by employing more cheap labour, but by mechanising plants as it expands. That is one reason why capital depreciation is Alucon's main expense.

Thai workers are five times as expensive as those in China, Vietnam and Indonesia, and complex machines are needed to produce the quality and consistency required by customers such as Colgate.

Alucon's factory near Bangkok is no sweatshop. Most of the workers are at one end of a machine, loading it, or at the other, packing the finished product into boxes.

As Asian workers become wealthier and their industries become more mechanised, their hopes and concerns begin to sound more and more like those of western counterparts. Thailand, just like European countries before it, stands to lose hundreds of thousands of manual jobs in the textile industry to mechanisation and to competition from lower-paid workers elsewhere in Asia.

Workers at the Alucon plant, often migrants from farming districts in the north-east, say they like the job security and benefits of working for a large but friendly company. They worry about traffic jams and paying the rent.

Benjawan Prayadsap, aged 19, moved to the factory five months ago to find regular work after an unsteady job in a cake shop. Wearing jeans and a casual shirt, she is putting rubber seals on to plastic caps with her fingers. "There's nothing in my dreams," she says on being questioned about her ambitions. "I just want to work and save money for the future."

Some of the women workers have started to listen to music through the headphones of their personal stereo machines, prompting Schneider to worry that the practice may distract them and affect their work.

Engineers and skilled workers, in short supply in Thailand, are already almost as expensive as their European equivalents. "They are getting spoilt in a similar fashion to workers in Europe, where people try to work as little as possible and get as much money as possible," says Schneider.

Attitudes to leisure in Asia and the west are converging, too. "I think American-style," says a cheerful Choompol Veeranuvatana, assistant general manager. "Work is work and relaxing is relaxing."

Perhaps it is time to discard the myth of the nauseatingly diligent Asian worker. Asked what he liked to do in his spare time, Choompol replied: "I like to go out with my friends and get drunk."

Prospects look rosiest for the rebels

If it had not been for that damned apple, of course, the question need never have bothered us. The only work in our lives – as Genesis 2:15 makes clear – would have been a bit of light gardening. In the event, the work question has bugged us ever since, albeit in different ways.

Right now, for instance, it is worrying political leaders in the opposite of the form in which it threatened to unseat their English predecessors in the Peasants' Revolt of 1381. The trouble then was too much work for a plague-thinned labour force, whereas the contemporary version is not enough to go round.

What makes it no less of a danger to today's politicians is that the problem has shifted from peasants to floating voters higher up the social scale. That is particularly so in Britain, where in the recession, managerial as well as clerical classes lost their jobs.

Hence, if you happen to be job seeking, the outlook will depend much on which kind of worker you are. The question of work prospects is never easy to answer, but clues lie in the three basic types of worker identified by the US psychologist Albert Bernstein: rebels, believers, and competitors:

■ *Rebels* are typically expert in some technical field, and often creatively intelligent to boot. The drawback is that, while toiling unstintingly at things they are interested in, they have little time for routine and still less for "people problems". So they are apt to be a mixed blessing as colleagues, and an absolute pain as managers.

■ The best managers – from the viewpoint of those working for them – are *believers*. Besides being fair-minded, they spare no effort even at tasks they dislike, fuelled by their faith that labour will bring its reward. Alas, the same faith blinds them to all evidence to the contrary, which means they rarely rise beyond middle management.

■ The types who tend to get to the top are *competitors* who believe in winning personally. They swiftly learn how their organisation's system really operates, as opposed to the way it is supposed to, and manipulate it in their own self-interest. Even so, their political smartness makes them adept at outwitting rival companies as well as colleagues, and at wringing good deals out of customers.

If competitors are out of work, therefore, it is probably because they are too smart for their own good, or in their last job they came up against a cannier competitor. The good news is that there will always be a demand for competitors' drive and fixing skills.

That inevitably means bad news for the other two types, and especially so for believers. For one thing, the scrapping of whole ranks of middle management means that instead of just losing out to competitors in the promotion race, believers have far less chance of even entering it.

The irony for believers is that, although civilisation would crumble without their sterling abilities, it is harder and harder to get paid for using them. In Britain at least, believers' best hope is a revival of real industry, where their qualities count much more than in service operations such as investment banking, hairdressing and the like.

The best prospects would seem to be for rebels, provided their technical skills and interests keep pace with the times. There will always be a demand for their problem-solving on a self-employed basis.

The only trouble is that self-employment places a high premium on the routine tasks and people-handling abilities for which rebels typically have little time or talent. So for many, the way ahead could be stony. . . .unless they are in the lucky position of this particular rebel, to whom the question "What is the future of work?" presents no difficulty. The answer is 34 days. Roll on retirement!

Michael Dixon

As They Say in Europe/**James Morgan**

Is Europe just out of breath?

"From the economic point of view, we in the Federal Republic have always moved forward up to now. Prosperity has risen from year to year. Now we are in an economic crisis. Is this a turning point, or have we just reached a standstill, a breathing space, after which we shall move forward again?"

That was a question in a poll of the state of German opinion. Once a month the Germans are asked about everything by the Allensbach organisation. These days they are unimpressed. But the real interest is that someone has asked the question that underlies discussion about almost everything. Is this moment a breathing space or a turning point? In Germany, 57 per cent replied positively, saying the "crisis" was just a pause. That it represented a fundamental change was accepted by 27 per cent.

Have British readers noted the use of the word "crisis"? It turns up on most news pages in Germany and also in France, Italy and Spain. But I cannot remember at any time in the past three bad years in Britain any reference to "the crisis". This is because the British have become used to a far lower standard of economic performance than the Germans, Italians, French and many others.

Imagine a British pollster asking respondents if they thought that current difficulties represented merely a pause in the ever upward progress of the British economy.

Anyway, the Germans believe, by a margin of more than 2:1, that they are not at a turning point. That may be because the past two years have been flat, dull and awful. The period began with the start of the Yugoslav catastrophe, was punctuated by the arrival of Bill Clinton in the White House and ended with the conclusion of the Gatt Round.

The contrast with the three years before 1992 is stunning. This fact alone should reinforce the "breathing space" theory, for the frenetic pace of events of 1989-91 was unsustainable.

The apparent uneventfulness of the present by no means equates to tranquility. The "crisis" breeds *angst* and *morosité*. The *Frankfurter Allgemeine Zeitung* headlined the results of the Allensbach poll like this: "In the downpour, the Germans pull in their horns."

The French, once so anxious to cut a dash, now confess their timidity and insularity. *Le Monde* wrote that both France and Germany are experiencing an identity crisis. The article concluded with the words: "Misunderstanding between one country and another leads to mutual distancing and creates the illusion that there exists a national capacity to master shared crises."

Meanwhile, Italians speak of Italy as finished. Spain has found it possesses no resources to confront the recession, once the industrial implants of the last two or three decades rot away, there is nothing to replace them. To the east, the morose Magyars and paranoid Poles cast a wary eye over the benefits of liberalisation, which are more real than they believe, while the Balkans return to Bismarck's nightmare characterisation – the place where some damn fool can trigger a European war.

But this pervading gloom is not a global phenomenon: it is very European. It is reflected in marked loss of European self-confidence, which historically has occurred only in the face of American or Japanese achievement. But now Europe is plagued with visions of what *Le Figaro* charmingly called Asiatic ants. The new industrial nations of south-east Asia, so many believe, are going to steal our jobs and dominate the world of work with sweatshop industries. Countless lessons have been drawn from this belief, but always the wrong ones.

They include the idea that, in order to compete, wage levels are what really count, and that economic success is founded on sweatshop economics and no rights for workers. So, say European leaders of opinion, outside Britain, if that is the way to succeed we do not want to know about it.

But what they fail, churlishly, to recognise is that the successes of the Far East have been gained through positive achievement rather than systematic exploitation of specific cost advantages.

This achievement is based on simple ideas – such as not subsidising loss-making state-owned juggernauts, and a preparedness to make policy U-turns. This includes pulling out of heavy industries, as in Korea, or reversing the thrust of social programmes, as in Malaysia.

The approach is not driven by capricious events but by recognising that times change and different solutions are needed. Europe must ask whether 1994 will be the breathing space in which we run out of breath, or whether European governments learn from those whom they seem to despise and fear.

I started with a question so I will finish with a question: in 1993, did you read any interview with those in charge of the world's most successful economies?

■ *James Morgan is economics correspondent of the BBC World Service.*

NEWS FROM *the* NEW YEAR

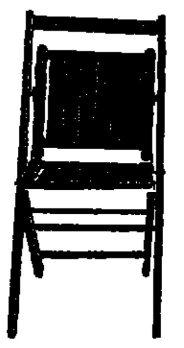
HOW TO SPEND IT

A simpler, more elegant design on life...

The design industry is foresaking the superficial, elitist style of the 1980s says ***Lucia van der Post***

There have been pointers in the wind for a long time. As the 1980s wound down and the biggest economic boom petered out, one of the most surprising casualties of the recession turned out to be the design industry. As it had always been received wisdom that the design industry was just what we needed to lead us out of the recession this was superficially very bad news.

In fact it soon became clear that in most cases the design industry had been the architect of its own fall from grace. By and large it had failed at what it was supposed to be good at – tapping into the psychology of society, meeting its subtlest needs, being a proper conduit for its true interests.



There is a direct link, as Nigel Whiteley points out in a thoughtful book* on the subject between a "society's design and its social health: design is a manifestation of the social, political and economic situation".

What seemed to happen in the UK in the 1980s is that design let us down. It began to deal in shallower, more ephemeral precepts and came to stand for what Whiteley calls "professional middle-class taste masquerading as ethically superior 'good' taste". So even though the recession had a huge part to play in the decline of the status of design and designers, there was much, much more to it than that. It was not just that many of us had run out of money, it was a rejection of what the design industry stood for, for the values we thought it projected.

Not, of course, that it is fair to blame the design world alone. Several designers and design writers were deeply concerned about their role and where current practice was taking them, long before the recession began. Whiteley quotes Jeremy Myerson, a design writer, saying that design had come to be used as a "weapon of exclusivity, of segmentation – the means by which many desirable goods and services are put out of reach of large sections of the community".

One has only to think of once utilitarian, functional items which were so re-designed and packaged as to put them beyond the reach of many who might need them – Alessi kettles, Phillippe Starck lemon squeezers, Versace silk shirts, designer-labelled handbags – to realise the truth of what he says. In many cases the redesign offered no technical improvement – an Alessi kettle functions no better than a Russell Hobbs but it became a cult object because of its superficial styling and high price.

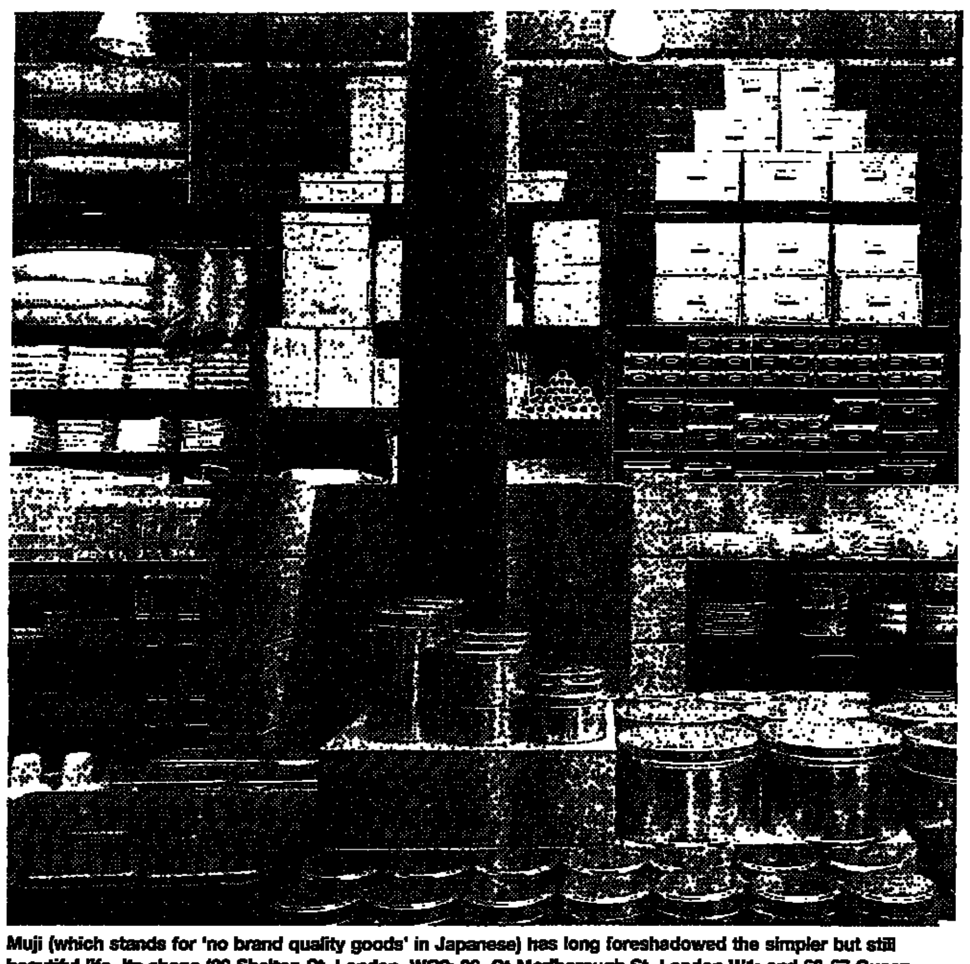
The designer FHK Henrion joined in the debate, attacking the notion of design as a tool for "the yuppy fun of a moneyed minority" declaring that "the designer's place in the economy is of crucial importance but his place in society is no less so".

While many of us in the west were engaged in a merry spending spree much of the third world looked on aghast – not just with disapproval at our frivolous ways but also filled with fear at how these values might overwhelm their own culture and way of life. Whitely quotes Ashoke Chatterjee, adviser to India's National Institute of Design, saying that he sees the common denominator in design from the west as "one of affluence and obsolescence, the catering to inconsistent whims which spell high profit . . . the concept of real need is . . . replaced with the image of design as the five-star lifestyle."

He also quotes that splendid economist-philosopher EF Schumacher: "What is at stake is not economics but culture; not the standard of living but the quality of life." In other words, it is hard to overstate the role of designers – how very much it matters that they get it right and how deeply we feel let down when they get it wrong.

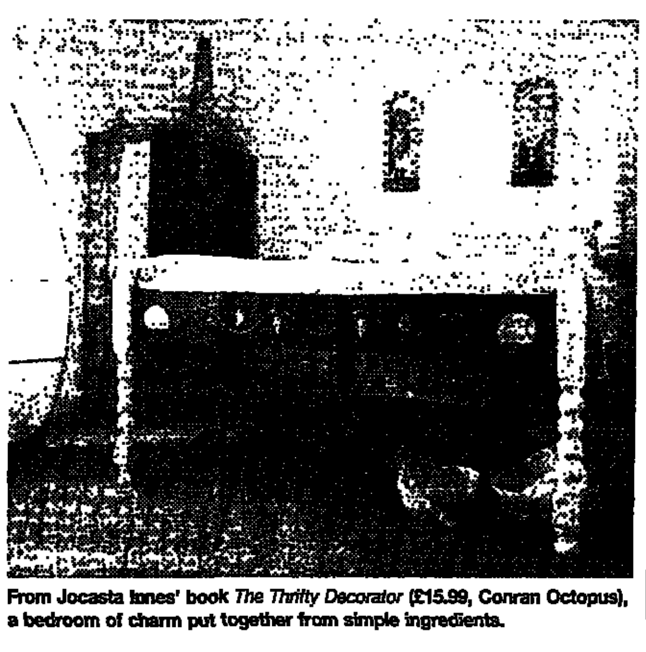
So what we see around us now is not just people who are less well off than they were, but people who view the world differently. It is not just that we have lost confidence in the ability of the design industry to provide the solutions, the industry is now perceived to be part of the problem, perpetuating values we no longer accept.

In our daily lives all of this is expressed, often at a subconscious level, in a seeking out of simpler things and simpler ways of living. And this is expressed not just in clothes or in houses but it invades all aspects of our lives. On the fashion front (as Brenda Polan reports here) the old formality has been loosened up, lightness, a lack of stuffiness is all. And so it is in interiors. Who, for instance, could have imagined, in the middle of the 1980s that a series of books on life's props called *Chic Simple** (about the first of which – on the home – I wrote last June) would be a runaway success? Who would have imagined that in the hothouse world of interior design, where the excesses of the 1980s were most exuberant, these simple guides purveying the notion that modest things can give pleasure and be just as useful as expensive things, would prove to signal a serious new direction?



Muji (which stands for 'no brand quality goods' in Japanese) has long foreshadowed the simpler but still beautiful life. Its shops (39 Shelton St, London, WC2; 26, Gt Marlborough St, London W1; and 63-67 Queen Street, Glasgow G11) are a testament to usefulness, value and real aesthetic discipline. Photographed here is a sample of their clean, streamlined approach.

Chic Simple provides the manuals, the visual inspiration, as well as the hard practical information for this new way of living. It is big on quotations from almost all the design greats. Here we have Elsie de Wolfe, the gifted American interior decorator (perhaps it is relevant to note that she began her career as an interior decorator around the turn of the century when many were beginning to tire of musty, over-crowded Victorian interiors): "When I am asked to decorate a new house, my first thought is suitability. My next thought is proportion. Always I keep in mind the importance of simplicity."



From Jocasta Innes' book *The Thrifty Decorator* (£15.99, Conran Octopus), a bedroom of charm put together from simple ingredients.

Simplicity should not be confused with austerity. "Light, air and comfort – these things I must always have in a room," she said. "We must learn to recognise suitability, simplicity, and proportion, and apply our knowledge to our needs."

Simple should never mean dull. De Wolfe, for instance, was a master of restraint as well as panache. At the time, it seems, her rooms were considered practically barren in comparison to the turn-of-the-century norm but looking at photographs of them now they seem to me to exude a high glamour that no over-stuffed Victorian interior ever did.

Simple should mean fewer things but better quality and above all should never be confused with cheapness. In the *Chic Simple* tome on clothes tribute is paid to many classics that qualify as simple but are certainly not cheap. The Trench Coat – the Burberry, of course, what else? – reeking as it does of "espionage, mystery, loners in the mist, drama and intrigue" gets star billing along with the humble white T-shirt, denim, the blazer, the plimsoll and cashmere ("cashmere is a tempting investment, as it provides thermal control without bulk and feels luxurious").

This is a philosophy, an approach to living that transcends time barriers. De Wolfe, born in 1870, would have been perfectly at one with Terence Riley, Director of Architecture and Design at New York's Museum of Modern Art who believed "An anonymously made Pyrex container is about good design as much as an Alvar Aalto vase." And both of them would have been in tune with Micky Drexler, president of The Gap, when he says "Good taste shouldn't have to cost anything extra."

Not a bad motto for the coming year might be the Australian Aboriginal saying which has been adopted by *Chic Simple* as its leitmotif: "The more you know, the less you need."

* *Design For Society by Nigel Whiteley, published by Reaction Books, £16.95.*

* *Chic Simple: Home; Chic Simple: Clothes, £12.95. Chic Simple: Bath, Scarves, Scent, Shirt and Tie, £6.95 each. Published in the UK by Thames and Hudson.*

Josephine Fairley *asks the style professionals how to make the very most of the New Year sales and how to avoid costly mistakes*

This is the season when the bargain-hunting sorts those shoppers worthy of Olympic medals from the amateurs. Spot the former, riffling calmly through the rails of discounted garments, wish-list clasped in one hand, while the other keeps a sensible grip on the credit card. The rest of us look frenzied and get excited over fashion follies which lived to haunt their designers – and will soon do the same for us.

One New York shopper I know freezes her credit card in ice during the sales. Should she fall in love with an item, she returns home and waits for her Amex to defrost. If it still seems a good idea, she hot-foots back to the shop and bags her quarry.

I asked style professionals about their strategies for bargain hunting and their best and worst buys.

■ Gabriella Di Nora, personal shopping manager, Harvey Nichols

My best buy was a Donna Karan ivory V-neck silk crepe blouse, down from £225 to around £65, which looked nothing on the hanger but fabulous when I tried it on.

My worst buy was a beautiful pair of Betty Jackson black crepe trousers for half-price – around £55. I thought I was being terribly clever because they matched a skirt suit I'd got from her, but they were so baggy in the crotch I looked like I was wearing a nappy.

Trying things on is essential, even in a sale. So is wearing the right outfit to shop in: a body, trousers and a soft top, slip-on shoes the height you'd wear with trousers – and definitely tights, not stockings! Don't ever take your partner. You may gain a bargain, but lose a relationship.

■ John Morgan, associate editor, *GQ*

My best buy was a huge alpaca teddy bear coat by Richard James, which comes to my ankles and could accommodate several of me. It's a splendid seasonal security blanket and is wonderfully warm.

My worst mistake was in Paris, when I got confused by continental sizing and managed to buy a pair of shoes a whole size too small. I did try them on, but didn't frogmarch up and down like you should – it was a real case of sales fever. Fortunately I was able to find a Cinderella whose foot they fitted, and passed them on.

Ask yourself whether you would want to buy the item if it was full price – because something is only a bargain if you get a lot of wear out of it. I approach sales with caution and find them good hunting grounds for basics such as shoes and knitwear.

■ Nicola Jeal, editor, *Elle*

My best buy is a pair of Manolo Blahnik purple suede riding boots, £100 down from £300. They are incredibly comfortable. My worst buy is a pair of Manolo Blahnik turquoise suede riding boots, from the same sale, but a size smaller. I made the mistake of thinking I could stretch them. They're cripplingly tight.

I always take a small mirror with me, so that I can check the back-view of everything I try on.

Do not take your partner to the sales. You may gain a bargain but lose a relationship

■ Geraldine James, contemporary collections buyer, Harrods

My best buy was a grey wool Workers For Freedom short pleated skirt, half price at £90, which I got two winters ago and I've worn at least once a week since – partly because it has an elasticated waist, so it's incredibly comfortable!

My worst buy was a Donna Karan jacket, in pink – a colour I never normally wear, and which became instantly dated. It cost around £175, down from £300. It's still sitting unworn in my wardrobe.

Do not buy things that are incredibly fashionable because they date so quickly. Go for neutral colours and classics, or look at the upcoming season's fashions (in magazines) to help identify something on the rails that you'll want to wear sooner, rather than later.

■ Iain R Webb, fashion editor, *The Times*:

My best buy was a trio of linen jackets, bought for $50 each in a Gap shop in New York, in banana, sky blue and a Madras plaid. My worst buy was a Byblos silk shirt, reduced to £200 in the Harvey Nichols sale. It was cream and black deckchair stripes, splashed with huge red hibiscus flowers and looked wonderful until I put it on. (The friend I gave it to was very pleased, though).

Always try things on, rather than go by the tag – even if the label says it's a medium, that may be a mistake.

■ Sophie Laybourne, *Daily Telegraph* fashion writer:

My best buy was an Aquascutum 40s-style fake beaver fur coat, which I picked up in Harrods' sale for around £100 – down from about £250 – long before fake fur became trendy. It was unbelievably warm, and looked so like the real thing that, heart-breakingly, it was eventually stolen off the back seat of my car one dark night. I wore it so often I became known as The Beaver.

My worst buy was a Rifat Ozbek jacket, when he first became fashionable and everyone – from the Princess of Wales down – was wearing his stuff. I bought it in Browns in South Molton Street and it cost around £400 even in the sale. It was so ultra-fashionable and had been so widely photographed that by the time the weather was right to wear it again it was very identifiably Last Year's Jacket. I was going to a wedding and I was young and in love and wanted to appear desperately chic, but instead looked like something out of Dynasty.

Do not to shop in sales when – for love or any other reason – you're feeling terribly pleased with yourself, because you tend to think you look fabulous in anything."

■ Caroline Baker, fashion editor, *Good Housekeeping*

My best buy was a £50 Ralph Lauren bias-cut yellow paisley silk skirt, a perennial classic I wore constantly. My worst was a Yohji Yamomoto brown pin-striped jacket, cut out of one piece of fabric, terribly unstructured at a time when everyone was into the 1980s executive look; I rather regret getting rid of it, now that everything's unstructured again. At least I didn't waste much money – it was about £10 on the last day of the sale.

■ Lisa Nelson, chairman, P R Unlimited

My best buy was a blue suede Gucci jacket, which was outrageously priced before the sale but became affordable at around £300. My worst was a pair of purple Azzedine Alaïa stretch trousers, which I got in Browns for £100 and never wore. I'd always wanted something by Alaïa but I made the classic sales mistake of being seduced by the designer label, without asking myself whether I'd ever wear it.

■ Lowri Turner, fashion editor, *Evening Standard*

My best buy was a Jasper Conran black viscose knit wrap-

Continued on Page V

NEWS FROM *the* NEW YEAR

FASHION

...with a hint of tasteful deconstruction

Loose and relaxed from Marcel Marongiu.

Fashion has been invaded by the sociologist. No wonder younger, brighter designers have become self-conscious, says ***Brenda Polan***

Designers tend to have an identity problem. Are they artist or artisan? Are they truly creative, their work an illuminating commentary on humanity in general and its current condition, struggles and preoccupations in particular? Or are they strangers to the world of ideas, mere makers of ultimately inconsequential practical things which may well be beautiful but are hardly important?

When the spring merchandise is delivered to the shops this month it will become obvious that this confusion particularly afflicts fashion designers. Nor is it restricted to what goes on in their heads; it is made manifest in their work. For fashion itself seems confused, unsure of the direction it wants to take. It is almost as if some designers have decided they are artisans, some aspire to art and some are reaffirming the truth: they are an exceptional and valuable hybrid.

Archaeologists and historians will insist that the work of the artisan is just as important as that of the artist when it comes to understanding a dead culture but that is cold comfort for the modern designer who, training alongside fine artists, rarely manages to graduate without a sense of being on the second team.

The fashion designer is particularly vulnerable to intimations of inferiority. Unlike the architect, the goldsmith or the cabinet-maker, the dress designer's pedigree is exceedingly short. Until the end of the last century, the makers of clothes were obscure, more interpreters of the whims and vanities of their clients (a very small, very rich elite) than creators in their own right. Yet few artefacts are capable of shedding brighter light on a society than the clothes it wore.

Over the last two decades dress has become a hot and crowded area of study. No longer the private fief of a few art historians, it has been invaded by sociologists, semioticians, the occasional novelist and fashion journalists. A profession which once merely described is now given to instant analysis of the social and political implications of the swings of fashion.

It is little wonder then that the younger, brighter fashion designers have become self-conscious. Instead of instinctively reacting to the mood of the times, they employ their intellects and use their work to embody ideas, theories, critiques. They function as artists are supposed to. For some time these designers – Vivienne Westwood, John Galliano, Jean-Paul Gaultier, Rei Kawakubo, Yohji Yamamoto, Marcel Marongiu, Ann Demeulemeester, Jean Colonna and Koji Tatsuno – have been practising their own version of deconstruction.

Essentially, this involves taking recognisable shapes, styles, fabrics and motifs from history and re-ordering them so that their associations and social meanings are both utilised (what were grunge frocks but the hard-worn, ill-fitting hand-me-downs of the great depression?) and undermined (unbuttoned over jeans or leggings, the frock is a victim's badge worn ironically).

For spring Westwood, the movement's heroine who is exploring traditional ideas of elegance and the ability of a garment's engineering to reshape the body, sculpts taffeta into rococo bodices and late Victorian crinolines and puts a gigantic, silly and beautiful net and straw petticoat beneath it while asking her models to teeter on 7in platform soles. The wearer becomes a doll, but a very imposing doll.

Many of the Deconstructionists go a step further and literally expose the structure of a garment, turning it inside out, taking a conventional garment apart and putting it back together so that the proportions are subtly wrong, the layers disconcertingly untidy, the fabrics twisted, scrunched and bedraggled. In doing this, they claim, they have developed a new aesthetic which aspires to supplant the ideals of harmony, perfection, neatness, richness and newness which they regard as bourgeois, banal and inappropriate.

Left simmering on the back burner are the artisans, the fashion designers who are still operating in the tradition of the couturiers, making expensive-looking clothes

Artistic statements on the catwalk are exciting and stimulating but can they be worn with confidence by short, plump Ms Average?

for conventionally minded women who wish to look glamorous in a way which the men in their life will understand. They still operate instinctively so the work being done by their more attention-getting, cerebral peers has influenced theirs.

So there is a much-needed freshness to the work of almost-stale 1980s names such as Karl Lagerfeld, Jean Muir, Christian Lacroix, Claude Montana, Sonia Rykiel, Gianni Versace, Gianfranco Ferre, Caroline Charles, Martine Sitbon.

The clothes they have designed for spring are much more relaxed. The flaunt-it, overly-structured styles of the late 1980s and early 90s have given way to a much easier look which is all about softness, fluidity and richly textured fabrics. They do not necessarily droop and draggle but these clothes are infinitely more forgiving of figure flaws and much more comfortable than what went before.

Floating the Yohji Yamamoto way

Lots of layers from Comme des Garçons

But in between are the hybrids, the designers capable of an intellectual analysis of their medium but who possess a sharp sense of utility and convenience. Artistic statements on the catwalk are wonderful, they would say, but can they be worn with confidence by rather short, slightly plump Ms Average? If not, then the true designer will jettison the outfit.

Among this number are most of the British designers – Katharine Hamnett, Betty Jackson, Jasper Conran, Edina Ronay, Ellis Flyte and Richard Ostell, Workers For Freedom, Helen Storey, Ben de Lisi and a raft of newcomers – and most of the Americans – Donna Karan, Ralph Lauren, Calvin Klein. At their head, however, are the disciplined creative geniuses, Issey Miyake and Giorgio Armani, effortlessly reflecting the zeitgeist while offering comfort, flattery and confidence.

Out of the confusion it is possible to identify some continuity and some novelty. The key piece for day is the new softer jacket, narrow on the shoulders and upper chest, then flaring gently to skim waist and hips. Beneath that options open up: a long narrow skirt, slit or wrapped; a long primitive-pleated skirt which looks narrow but allows plenty of stride; a gently flared permanently crumpled silk or cotton skirt; a short, flaring skirt in taffeta pleats or layered chiffon; wide palazzo pants; flare-from-the-knee loon pants; narrow cigarette trousers either front-pleated or jeans-cut.

Informal evening wear provides a wide choice this summer. For the leggy there is the new-again mini dress which is cut like the little frocks of the mid-1960s, with spaghetti straps or a halter neck, a high narrow bust and a swirly little skirt. But satin, chiffon or lace trousers, particularly in cream or white, look wonderfully fresh particularly when teamed with a top of complete simplicity: knitted silk, light cashmere, chiffon or string.

Transparency, or at least the illusion of it, is a strong theme for summer, achieved with lace, layers of chiffon or coarse mesh. Many designers toyed with string vests of varying looseness of weave. Some are very flirtatious indeed; others just hint at the summer-gold flesh beneath.

More formal evening wear also depends for its air of ingénue ethereality on floaty, diaphanous fabrics often layered. The bias-cut slip dress in satin, crèpe or silk jersey is doubtless the sexiest frock of summer 1994. Fashion cognoscenti are already snapping up Marks and Spencer's full-length, untrimmed, satin nightie for summer parties.

The improvised-looking and second-hand, the unironed and slightly frayed, layered and apparently haphazard serve as a nod to deconstruction. Colours are subdued, non-aggressive neutrals and naturals: white, cream, ecru, 100 shades of beige, soft safari brown, dark navy, slate and black. The new aesthetic calls for interesting texture and a softness which denies all hard edges. This summer you will believe a woman can float.

Photographs by Chris Moore

Continued from Page IV

over ankle-length skirt, reduced by about 50 per cent to £75, which I bought without even trying on. I thought it would be a good basic, but when I tried it at home I discovered it moved beautifully and was also really sexy.

"My worst buy was a Richmond/Cornejo lime green viscose circle skirt which stopped just below the knee – the most unflattering length. This was 10 years ago, and I was just so thrilled to have something by Richmond/Cornejo – but it was such a disaster and I was so embarrassed I put it in the cupboard without even taking the ticket off.

My strategy would be: buy duplicates of things you've already got in your wardrobe, because you know they work for you. Don't take any risks.

■ Anna Harvey, deputy editor, *Vogue*:

My best buy was a blonde cashmere Jaeger trench coat, reduced to £40 from about £250. Even 15 years ago, this was so cheap that I thought they must have made a mistake and held my breath all the way to the till.

My worst buy was more recent, in Rayne: they had comfortable little flat shoes for £40, reduced from £99, and although I only needed black I got a bad case of the Imelda Marcoses, and bought four other pairs in different colours – which I've never worn.

My sales advice: the best shops have the best sales.

■ Nick Sullivan, fashion director, *Esquire*:

I paid around £85 for my best buy, a Paul Smith Shetland sweater of the kind you had when you were about three; it's donkey-coloured, nicely scratchy and incredibly warm.

My worst buy was a suit from Rees, which I paid about £120 for some years ago; the shape was great but I made the fatal mistake of not taking it to the daylight to check the colour. When I got it home, it was a ghastly khaki and it made me look like a chauffeur.

Pause and think before you buy: will it fill a gap in my wardrobe, do I need it?

■ June Marsh, fashion editor, *Country Life*:

My best buy was a Margaret Howell blue velvet skirt, reduced to £90 from £200 last winter, and it's barely been off my back since. My worst was a pair of Pucci leggings which weren't me at all – I just loved the colours.

Go for classics, rather than high fashion items – and avoid bright colours however gloriously cheerful, unless you're planning to move to Sydney.

■ Caroline Neville, Caroline Neville public relations:

My best buy was at The Woollen Mill, a permanent sale shop in St Andrew's. I picked up a huge cashmere throw for about £150 that would easily have cost £500 in London.

My worst buy was a pair of $150 glittery earrings bought in a store on Madison Avenue. They looked bold and daring in dynamic New York but in more restrained London, they were simply over-the-top.

It's vital to go on a reconnaissance mission: you don't then fall in love with the first crazy thing you see and regret it further down the street.

■ Jackie Modlinger, fashion director, *Daily Express*:

My best buy was a Ralph Lauren pin-striped short skirt, which I bought last summer in their sale for £50 when I realised that short skirts were going to make a comeback. It matched a Ralph Lauren suit I'd bought earlier in the season (which had a long skirt and trousers) making the suit even more versatile.

Go for a designer label that you've always coveted and could never afford rather than cheap labels that have been marked dow even further.

NEWS FROM *the* NEW YEAR

FOOD AND WINE

1,000 free dinners – or lunches – for two

*No such thing as a free lunch? Oh yes there is, says former restaurateur and FT food writer **Nicholas Lander***

Last January I persuaded 130 restaurants to offer lunch for a fiver during a fortnight at the end of the month. It was a tremendous success with our readers, and more surprisingly, with most of the restaurateurs.

This year we are planning something even better. We are offering 1,000 free lunches (or dinners) for two. And all you have to do to qualify is accept a free card which entitles you to a 25 per cent discount on food *and wine* for any meals in any restaurant in our scheme for six months.

Too good to be true? Is there really such a thing as a free lunch? In this case there are no concealed costs, conditions or strings attached for the six months.

Thereafter, if you find the card useful and want to keep it, an annual fee of £35 will be charged by Transmedia, the company which is operating the scheme.

Even if you have paid this fee, you may cancel your membership and get your money back at any time within the first year.

The *Financial Times* decided to become involved in the launch of the scheme in the UK because we are convinced it offers an excellent deal for our readers, especially as I have been involved in the initial selection of restaurants.

So how, exactly, does it work?

The full details and application forms for the *Financial Times*/Transmedia restaurant card, will be published in the next *Weekend FT* on January 8 with the names of all the UK restaurants which have joined the scheme (more than 100 so far). No coupons will be required.

The free lunches will be offered in the form of 1,000 credits worth £50. We will ballot all those who use the card between Monday January 24 to Friday February 11. Every time you use the card your name goes into the hat, so if you eat out a lot and are lucky you could win more than one free lunch. There is no limit on how many £50 credits any one reader may win. And there will be no losers, for *everyone* who uses the card will receive the 25 per cent discount.

You use the card just like any other credit or charge card, but you must have an Access or Visa card in order to be able to apply for the *Financial Times*/Transmedia card. After the application is processed (up to 14 days), you will receive a directory of all the 2,200 American restaurants which accept the card and a separate listing of all the UK restaurants which have joined our promotional scheme. As more British restaurants join we will publish their names.

How does it work?

Very simply. The *FT*/Transmedia charge card will be active from the moment you receive it and can be used to sign for the full cost of any meal at any participating restaurant.

This amount will then appear on your next Access or Visa statement, together with a credit for 25 per cent of the amount you have spent on food and beverages. Service and VAT charges do not attract a discount.

What type of restaurants will be on the list?

The full range, from those for business entertaining to those to take the family to at the weekend, including wine bars and hotel dining rooms.

There will be no fast food outlets. The majority of restaurants will be in London but there are already 25 restaurants on the list outside London in Bath, Bristol, Edinburgh, Exeter, Manchester and Southampton.

And, most importantly, the *FT*/Transmedia card will become an integral and valuable tool for anyone travelling on business or pleasure.

You can apply for the *FT*/Transmedia card from anywhere outside the UK and use it within the next six months on your next business trip to London. Or to Boston, New York, Chicago, Palm Beach, Florida, Los Angeles or San Francisco.

Is that all?

Almost. Find out the full details from next Saturday's *Weekend FT*.

The Bodleian Library

Breads may be the new year food fad but, as this 15th century painting shows, its appeal has not diminished down the ages

The bread's the thing

*Pasta mania is getting out of hand. Pizza is giving way to polenta. But breads are big news for '94, says **Philippa Davenport***

In cookery, as in other things, there are booms and busts, and the wince factor in food enters the new year alive and kicking.

The kiwi fruit, with its fresh fruit taste and its brilliant jet and emerald colouring had less than 15 minutes of true foodie fame before it became the darling of degenerated nouvelle cuisine – instantly earning the soubriquet of ingredient non-grata at top tables. So *passé* is the kiwi fruit now that even country pubs allegedly serving "good pub grub" are liable to stop short of using it to garnish their micro-waved Tex-Mex and deep-frozen red snapper.

Other fresh ingredients that have come in and out of fashion recently include dwarf corn and mangetout peas. Good riddance to the corn: the corn I have sampled has been tasteless. As for the mangetout, like the kiwi fruit it was just too pretty for its own good. And more often than not it defied the Trades Descriptions Act – with all those inedible threads at the seams it ought to have been called mangemoitié.

The vogue for kumquats is on the wane but the onslaught of the ubiquitous sun-dried tomato seems relentless and I feared suffocation at Christmas under a surfeit of fancy filo parcels – pouches, purses and crackers crammed with mincemeat and savoury titbits.

The red meat market seems destined to go on decreasing. The pig, once known as the gentleman who pays the rent, is due for a revival but it will probably be years before top quality British sausages and well cured hams are the norm and caul, pigs tails, trotters and Bath chaps are readily available again.

Interest in game is growing. In poultry, chicken and turkey are less fashionable than they were. Guinea fowl now seems more alluring than quail. Goose and duck are the thing with confits taking over from *magrets* as the smart items of the 1990s.

As for fish, diver- and line-caught are the buzz words now, and pickled fish looks set to pick up nicely, from salted anchovies to lightly cured herrings.

The olive oil boom, which began with French and Italian extra virgins, is now slicking its way across the Atlantic. Californian oils have already started to reach our shores.

I love olive oil but think it is time to redress the balance a little and remember how delicious good butter can be. Butter is after all the fat of the north and small local farmers making it in Britain with love and care deserve at least some of the support we lavish so freely on estate bottled olive oils.

Vinegars, like oils, continue to rise in popularity with properly aged balsamic vinegar from Modena, sherry vinegar from Jerez, English mulberry vinegar and prune vinegar from France earning pride of place in smart larders.

I cannot see that Italy will lose its lead in the food fashion stakes for a long while yet but the cuisines of south-west France, Portugal and Turkey are all looking healthy and interest in our own British cooking is growing stronger. Thai cooking, fragrant with lemongrass and star anise, hovers meanwhile on the brink. Will it boom or will it not?

Pasta mania is getting out of hand. Pizza is giving way to polenta in some circles. Rice is on the up and breads are very big news. The success of *ciabatta* and *focaccia* was exceptional but the general trend in breads is set fair.

Even sourdough, appealing to a minority market with its darker, sourer taste, is gaining ground. While British treats – potato cakes, pikelets, Lincolnshire plum bread, barley bannocks, Aberdeen rowies and co – are enjoying a new winning streak.

BREAKFAST BREAD

(makes 2 small loaves)

Here is a bonus since breads are in the ascendancy and so are the foods of south-west France, where the best prunes come from.

Dark nuggets of prune stud this dough. Earl Grey tea provides the liquid element. Cinnamon and orange zest complete the aromatics. Breakfast Bread can be toasted carefully but I prefer to nibble it just as it is, without any butter or marmalade, with my early morning cuppa.

1 lb unbleached white bread flour, preferably stone ground; 1 x 7 g packet of easy-blend yeast; 8 oz large, squashy prunes; ¼ pt very milky Earl Grey tea; 2 oz butter; 1½ oz caster sugar; generous ½ teaspoon ground cinnamon; 1 teaspoon finely grated orange zest; beaten egg to glaze.

Mix together by hand the flour, yeast, sugar, cinnamon and citrus zest (or use a food processor or a food mixer with a dough hook). Dice the butter, put it into a small saucepan with half the tea and heat gently until the butter is melted. Add the rest of the tea, which should be cold, and pour the mixture onto the dry ingredients. Mix and knead to a smooth and elastic dough. Cover and leave to rise until doubled in size. A slow rise in a cool place is best.

Knock back the risen dough and work the prunes (stoned and chopped small) into it. Divide the dough in two, shape each piece neatly and drop it into a small loaf tin. Cover and leave to prove for 1-1½ hours.

Glaze with beaten egg and bake on a hot baking sheet at 400°F (200C) gas mark 6 for about 40 minutes until cooked right through. Cool on a rack before eating or wrapping and storing.

Even the maggots liked the cheese

*On Page VII, **Nicholas Woodsworth** names Corsica as one of his Top 10 travel tips for 1994. Here, he eats with a Corsican peasant*

Corsica has a rich culinary tradition. And, like most true Mediterranean cooking, the island's fare remains close to its peasant roots. What counts is not richness or sophistication of style but fine, fresh ingredients prepared simply to bring out the best of natural flavours.

Is anyone, at this point, still reading? The trouble is, this kind of theme pops up so often in trendy cookbooks, Sunday supplements and Keith Floyd cookery programmes that it has ceased to mean very much.

It is now a quarter of a century since Elizabeth David began telling us about the wonders of southern ingredients prepared freshly and without pretention. What she had to say is, of course, all true, but bang on about anything long enough and we cease to hear it.

So, I am not going to bang on. This is not a discourse on freshness, simplicity and the gastronomic legacy of a rich Mediterranean peasant tradition. It is merely an account of a Corsican meal – one shared with a peasant – that brought home to me these truths in a fresh and simple manner.

I first heard of Pierre Milanini through his cousin, Jeannot, as we sat in an elegant little seaside restaurant in the Corsican resort of Porto Vecchio. We were not discussing food, but the insular Corsican mentality.

For an island people, Jeannot was telling me, Corsicans are surprisingly out of their element along their rich coasts. Over the millennia the island has suffered repeated attack and invasion by sea, and Corsicans have survived by seeking the security and peace of the rugged interior – with time, the inhospitable mountains have become their preferred home.

I looked around the restaurant as he talked. The place was full, not of Corsicans but of end-of-summer visitors who came from everywhere. The food was good, but it might have come from anywhere.

"If you want another Corsica," Jeannot suggested, "why don't you go inland to Quenza? I have a cousin who runs a stable and *gîte d'étape* on the mountain behind the village. He's a bit of a hermit, slightly eccentric, and a real Corsican. And he knows how to cook – every last thing he serves he grows, raises and prepares himself."

Who could resist a suggestion like that? I left for the hills early the next morning.

Guests would have to know about Pierre Milanini's place to find it. *Gîtes d'étapes* exist only in the wilder areas of France, and usually serve a specialist clientele of cold and hungry ramblers, mountain climbers and campers. Their isolation, though, does not affect their quality; they are often the last strongholds of authentic regional cuisine.

The medieval village of Quenza sits lost in a ring of high peaks and hills. I found the *gîte* hidden on a tiny, winding road that disappeared into the chestnut forests above the village. The place was marked only by the well-groomed horses that milled around a paddock beside a ramshackle stone house.

At first, Pierre did not want to know about one more diner. He had closed his *gîte* for the season, he said, shaking his long locks and thick grey beard back and forth. And he was busy preparing his annual trip to Ajaccio – five days through the mountains on horseback. Food, he told me, should be no more hurried an affair than travel.

Perfect peasant food: Pierre Milanini with all his own work

But when he saw me admiring the ripe, red tomatoes growing in the large garden behind the paddock, his pride got the better of him.

"They are the finest tomatoes around," he beamed. "Same as the rest of my garden, same as my fruit orchard: no pesticides, no herbicides, no chemical fertilisers – just plenty of good, aged horse manure." I was welcome to try his tomatoes, he said, if I did not mind sitting down to whatever else he could put together at short notice.

Pierre's house was rustically chaotic. Muddy riding boots stood drying in one corner of a huge, unswept fireplace, mountain walking boots in the other. There was a shotgun leaning against the wall and an ammunition bandolier slung over the back of a threadbare armchair. In the chair itself, a hunting dog lay snoozing with its paws in the air. Three more lay prone on the floor. Half a dozen cats were lounging on the long, scarred farm table that took up most of the room.

"*Dehors!*" Out! he roared, and the animals disappeared in a flurry of hair and dust. "I love animals," he said, slinging one last kitten out the door. "I have 30 horses, 60 pigs, 30 cows, eight dogs and 11 cats. I'd have more horses if I could afford them, but the damned things don't pay for themselves."

Pierre talked as he put an iron pot of soup on the stove and began slicing tomatoes. An exemplar of Corsican insularity, he is a purist, a die-hard traditionalist, a hold-out against modern civilization. As a cook he mistrusts all food additives, any kind of premixed concoction or preparation, all time-saving devices, any corner-cutting cooking method.

He has lived all his 60 years in Quenza. When he grew up, producing food was a question of survival. He spent drought-ridden summers watering chestnut trees – without chestnut flour, there was no bread to see the family through the winter. Wheat flour was an unaffordable luxury. "Life was difficult then," Pierre laughed. "We just didn't know it."

We sat down to plates of sliced tomatoes. Mine were accompanied by mild onion rings, parsley and olive oil, all home-produced, all delicious. Pierre's were accompanied by nothing but a shake of salt.

"We use too many ingredients in our meals," he growled. "Add enough and you kill the taste of what you are trying to eat. People like garnishes and dressings, but do they know what tomatoes are really like?"

Perhaps he had a point, I thought, as I sliced through a tomato with my fork.

"And for God's sake, man, don't massacre them!" Pierre added. "Tomatoes are delicate things. Here, use this."

He passed over a clasp knife with a long, mean-looking, blade, the kind you imagine gangsters stick into each other. I sighed. No one had instructed me on the use of dining implements since nursery.

A minute later, though, I was learning yet another lesson – to cut bread in the peasant fashion. Copying Pierre, I held his fresh-baked bread – a round loaf the size of a small bicycle tyre – against my chest and drew my knife gingerly through the crust towards me. One slip, I thought, and I shall stab myself fatally.

I was gaining confidence, however, by the time the soup bowls arrived. In them was a thick, fragrant vegetable *minestra*, simmered for hours with herbs and chunks of smoked, salted pork, and wonderful to eat with large slices of crusty bread and red wine.

Again, though, Pierre brought me back to essentials. "All these seasonings and extras are fine – I like thyme, bay and garlic as much as anyone. But there is just one great secret. It is the onion. Without the onion, you can do nothing; with it, you can do anything. It is the point of departure." Pierre was emphatic. I was not going to argue. It seemed as good a world view as any.

Silently, we drank in praise of the onion. But I did not remain silent a few moments later when I cut off a thick slice from the leg of cured ham Pierre had set on the table. The flavour was superb.

"Nothing but salt and pepper in that. I slaughtered, cured and hung that pig five months ago. No flavouring, no herbs, no spices. The taste is in the flesh itself. Elsewhere, pigs are penned up. On this island, pigs wander round all day eating chestnuts and acorns. Come and look at what we make best in Corsica."

In a cool, dark, dry room off the main house, Pierre showed me the produce to which he gives his greatest attention. Hanging from hooks on the ceiling were hams; *coppe* sausages made from pig's necks; *lonze* from their filets; and *figatelli* – smoked sausage from their liver, heart and kidneys.

And so to cheese. Mysteriously, Pierre kept his soft ewe's cheese in a covered pot and, even more mysteriously, insisted on spreading it on a slice of bread for me. It had a sharp, biting taste which I enjoyed – until I noticed my cheese refused to stay still. Not only were small yellow maggots wriggling to the surface but, once fallen to the table, they began springing about. I think I blanched.

Pierre let go a great haw-haw of laughter. "*Fromage vivant*," he said. "We call it living cheese. You can't make it. It just makes itself during humid, heavy weather. But when I've got some, people come for miles to eat it. And if we've had a little wine, we like to bet on whose maggots can jump the highest. It's a good time."

I had had a little wine, but I needed a little more before I began to have a good time again. There was coffee; home-made *eau-de-vie*; more talk about the manners and kitchen customs of Corsica; more *eau-de-vie*. By the time I left that rough and ramshackle little *gîte* and was heading back down the mountainside to Porto Vecchio, I was in a quandary. I was wondering how I was ever going to have a good time in elegant little seaside restaurants again.

NEWS FROM *the* NEW YEAR

TRAVEL

Real hot spots in future world

I WAS talking not long ago to a ski holiday specialist, a man who has *schussed* the world. Where, I asked, are the skiing hot spots of the future, those places which are little frequented today but whose renown is fast growing?

His answer: tomorrow's skiing hot spots are the world's cold spots – its glaciers. So sharply have world weather patterns changed in just a few years that low-altitude ski resorts can no longer be relied on for adequate snow-fall.

It is not just the weather that is different. The whole world is changing before our eyes, including travel destinations. What makes us want to travel to one place rather than another? There is no single answer. But well to the fore is our hope that we are getting the "real thing". If we want a Mediterranean beach we want it unencumbered by high-rises, discotheques and traffic jams.

What we really mean when we say a place has become spoiled is that it has come to contain too many people like ourselves and too much clutter that resembles our own.

The trouble is that the attractive, interesting, unspoiled places we choose become spoiled as well. Such places are finite in number and becoming rarer. Yet the face of travel is changing. And, as expectations rise, a large number of options are opening up. Today more people are choosing shorter-duration, independent, tailor-made holidays. They want more active involvement with the place they are visiting. They are likelier to move around than to stay in one spot. They show more interest in culture and food than sun and sea.

They are willing to pay for a more expensive, specialised holiday that engages their own hobbies and interests. In future, short European city breaks will be among the most popular types of travel. Cities such as Paris, Venice and Vienna remain eternally fashionable, but others are only now coming into vogue.

Travellers are realising, for example, that by visiting lesser-known Italian cities they can have all that Italy has to offer without any of Rome's or Florence's tourist hordes.

Will Provence and the Dordogne ever flag in popularity? Probably not. What I cannot understand is why visitors insist on flocking together in rural France. Like the French Mediterranean, these areas are over-crowded and over-priced. Under-rated and just next door, such areas as the Cevennes, Auvergne and Lozere offer delightful rural charms.

Perhaps the biggest surprise in newly-accessible destinations is eastern Europe. Here is an area of tremendous historical significance, a great patchwork of cultures that has been cut off to western visitors for half a century. Yet with few exceptions, eastern Europe has failed to catch on.

The main problem is that the east regards western tourism as a cash cow. Hungry for foreign exchange, but furnished with sub-standard facilities and lacking expertise, eastern European countries continue to charge more than their services are worth. Shoddy hotels, bars and restaurants charge western prices; the good hotels that do exist charge higher than western prices.

Many east European destinations are simply not that attractive. Old, once-beautiful cities destroyed in the war have been rebuilt in drab socialist fashion, while many rural areas have suffered decades of environmental abuse. Sophia is dull. There is little left of old Bucharest. Warsaw is an artificial reconstruction. Budapest, for a year or two a rising star, is now falling back.

Even Prague, well preserved and today eastern Europe's most popular city, is in danger of pricing itself out of the market. St Petersburg, on the other hand, is one city which is likely to grow in appeal. So, strangely enough, is Moscow.

There are still plenty of people more interested in traditional beach holidays than exploring strange new cities or unknown countryside. If the Mediterranean is slowing down on this type of development, where will they go? There are already signs that many Caribbean islands, once tropical hide-aways for the privilged, are heading down-market; in the next few years the Caribbean is likely to replace both Florida and the Spanish costas as the place for package holidays.

Where, then, will one be able to enjoy warm-weather holidays away from crowds and over-commercialisation? Asia and Africa have long been on the exotic travel circuit, but now both offer new and intriguing possibilities.

Forget Bali. It is beginning to resemble Torremolinos. Ditto Phuket, Kosamui and many of the better-known resorts in Thailand. On the other hand, there are scores of islands in south-east Asia where you can feel like Robinson Crusoe if you wish to.

Excellent facilities without crowds can be found in Lombok, a 10-minute flight from Bali; at Langkawi, just over the Thai border in Malaysia; and in the Visaya Islands in the central Philippines.

The really fascinating part of Asia now opening up, however, is Indochina – Vietnam, Cambodia and Laos. While the rest of Asia is charging at full speed into a high-tech future, these places have been too busy with war and social re-adjustment to have gone far beyond simple agriculture.

Similarly, Africa offers new places to travel. In north Africa, Islamic fundamentalist violence has put many travellers off Egypt, but at the other end of the continent there is hope for an end to violence.

If the new South Africa is successful, it has so much to offer in the way of beaches, landscapes, game-viewing and sports that for many it will replace such sunshine spots as Australia and Florida.

The place most strongly tipped for the future, however, is Latin America. Ecuador has always been popular for its rain forests and off-shore Galapagos islands. Fast-growing in popularity now are Guatamala, for its highland market towns and lowland Maya ruins, and Chile, for the variety of its desert, lake and mountain environments.

For some reason, the most popular Latin American destination in 1994 will be that last hold-out of communism: Cuba. No one can quite explain to me why the island should appear quite so glamorous at present. Perhaps the world is changing so fast that we now feel a sentimental attachment to what appears a long-gone past.

■ *One of the best publications describing the range of individually-tailored travel available from UK travel firms is the one produced by the Association of Independent Tour Operators: 133a St Margaret's Road, Twickenham, Middlesex TW1 1RG. Tel: 081-744-9280.*

Nicholas Woodsworth

Istanbul: exotic, atmospheric, and conveniently reachable for short breaks

Ten destinations worth considering

Travel is so subjective that no two people could ever devise the same list of Top 10 destinations. Here is my own list of places – urban, seaside, European or tropical – that look promising for 1994, writes Nicholas Woodsworth:

1 Istanbul: about the most exotic and atmospheric place you can reach from London on a short city break conveniently.

2 Corsica: has an off-putting reputation for terrorism, which has left the island one of the friendliest, most beautiful and best preserved areas in the Mediterranean.

3 Lake Lucerne, Switzerland: astonishing mountain beauty and bourgeois self-assurance.

4 Luangwa Valley, eastern Zambia: fast being poached out, but so few controls that it is one of the last places where game-viewing is still a real adventure.

5 The Keys, Belize, central America: Caribbean islands the way they used to be – rum, sailing boats, conch-shell steaks.

6 Lombok Island, Indonesia: next door to Bali, but 20 years behind in seaside development. The further one heads inland, the further the present age recedes; strictly Stone Age at its centre.

7 Terlingua, Texas: ghost town in the Chihuahuan desert near the Rio Grande. Recommended for its bars, cowboy music, frontier spirit and chilli-con-carne.

8 Hué, central Vietnam: old imperial capital on the Perfume River, home to the most genuine and welcoming smiles in Asia.

9 Salvador de Bahia, north-eastern Brazil: Afro-Latin culture, physical sensuality, and coconut-milk-based cooking.

10 Sese Islands, Lake Victoria, Uganda: the ultimate escape; difficult to reach, difficult to get away from, negligible facilities. Serene and entirely unpressured.

NEWS FROM *the* NEW YEAR

MOTORING / SPORT

Where on earth is my electric car?

Motoring around town in a battery-driven vehicle will just have to remain a dream for this year, says ***Stuart Marshall***

Like many people who live in town, perhaps you would like an electric car. Noiseless, non-polluting, and almost as friendly to the environment as a bicycle. Ridiculously cheap to run, too. Instead of pouring costly petrol down its gullet, you would just plug it into the mains overnight and recharge its batteries on a few pence worth of off-peak electricity.

How nice if this town motorist's dream came true in 1994. Alas, it will not.

This does not mean the carmakers are not interested in making electric cars powered by batteries. They have all been at it for years, investing millions. And do not run away with the idea that there is some kind of oil industry conspiracy to stifle it at birth. Electric cars are as old as motoring – they have been around for 100 years.

Early this century, there were fleets of electric buses and taxis in European cities. And battery-driven cars were quite popular in the US among motorists who hated swinging a crank handle to start the engine. Then, the electric self-starter was invented and the battery car took a back seat overnight.

The trouble with electric vehicles is that the conventional storage battery is an inefficient form of propulsion, to say the least. Weight for weight, petrol contains 230 times more energy than the best kind of nickel-cadmium traction battery. The cheaper lead-acid type, used in every petrol or diesel car for starting purposes, is even worse.

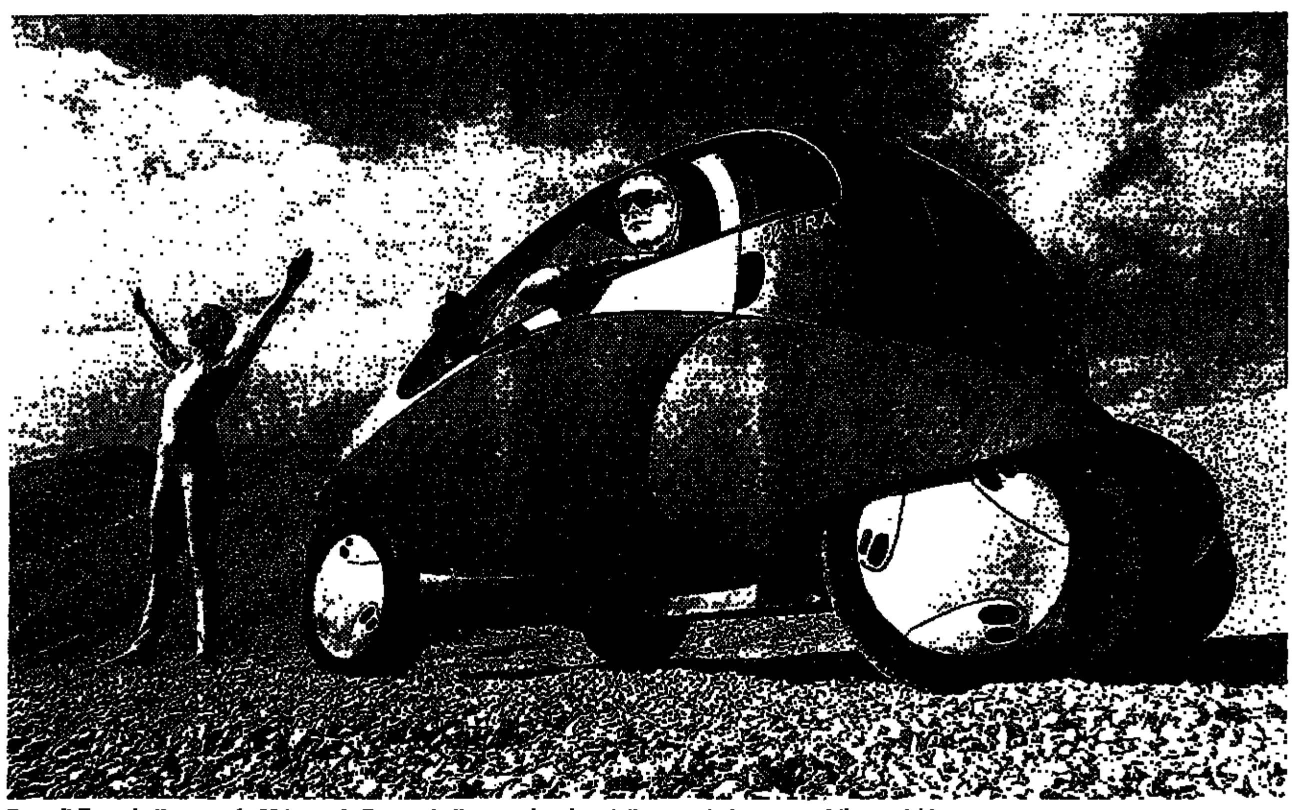
A battery is not a power source; it merely stores electricity generated elsewhere. A battery car creates no pollution itself – that comes from burning oil, gas or (especially) coal to generate the electricity on which it runs.

To be truly "green," a battery car must be re-charged with electricity generated by water, solar, geo-thermal, wind or atomic power. But the first four are hardly relevant in Britain, and we all know what the environment lobby thinks about anything nuclear.

So, it can be argued that the whole concept of the battery car as completely friendly to the environment is flawed. Yet, you cannot get away from the fact that it does not pollute the urban areas, where it operates without exhaust emissions or noise.

Because the battery car's range is so limited – about 60 miles (100km) is a realistic average before it needs an eight-hour re-charge – it must, by definition, be a household's second car. And because production so far has been tiny, an electric car costs at least twice as much to make as one with a small petrol engine.

Another snag is that because the batteries take up so much more space than a petrol tank, electric versions of small four-seat cars may end up as two-seaters.



Renault Zoom battery car. In 22 towns in France, battery re-charging stations are to be set up at the roadside

France, which produces nearly all its electricity in emission-free nuclear power stations, has gone further with battery cars than any other European country. PSA (Peugeot-Citroën) and Renault are running large-scale trials in co-operation with Electricité de France (EDF).

In 22 towns, from Bordeaux to Avignon, Strasbourg to Douai, battery re-charging stations are to be set up at the roadside and in public or private car parks. These will give electric cars (based on models such as the Peugeot 106, Citroën AX and Renault Clio) a quick, range-extending fix of current during the day.

A battery hire system will be put in place because a set representing perhaps one-third of the value of the car might last only three years. Renting batteries could be more sensible than buying.

What, though, about high-tech miracle batteries that are claimed to be many times more efficient than today's conventional kind? They are trundled out often by publicity-seeking manufacturers – but people with their feet on the ground should forget them, at any rate for years to come.

They work in laboratories or under controlled test conditions but are not (and may never be) cheap, or even safe, enough for public use.

Many believe the best hope for the battery-electric car is legislation banning vehicles with petrol or diesel engines from the most congested city centres. If that happened, and the only alternative to driving a battery car or hailing a battery-driven taxi was walking, then the goalposts really would be moved.

We might see a variation of the park-and-ride scheme. Instead of leaving your car on the outskirts of town and catching a bus, tram or train, you would pick up a rental battery car and drive to your office or the shops in a no-go area for internal combustion engines.

Another scenario involves the hybrid car. This offers the best of both worlds; battery power for town driving, petrol or diesel for the open road.

Battery-driven, its performance and range would be modest but enough for driving a few hours on 30mph (50kph) speed-limited roads. Out of town, it would go more like a normal car with a small, low-emission engine running at a constant speed and coupled to a generator. This would feed current via the batteries to an electric motor driving the wheels.

The idea is not new and most major car-makers have produced experimental hybrids.

One of the latest and most interesting is the Volvo ECC (for environmental concept car) which was unveiled about a year ago. It has a tiny gas turbine, running on diesel fuel and driving a lightweight generator at very high speed.

Even though one-fifth of the ECC's weight is batteries, it is not a particularly heavy car and is shaped aerodynamically.

Volvo, which is developing the ECC with its partner, Renault, says it has a top speed of 108mph (175kph) and would go 416 miles (670km) on a tankful if you did not exceed 56mph (90kph). Battery power alone would take it only a fraction of that distance at a lower speed.

Do not put off buying a new car because you would like a battery-electric to use in town or a hybrid for all kinds of motoring. They are still some years off. Renault thinks it could be 2015 before electric cars represent 10 per cent of the total market and 40 per cent of cars used in town.

California, which invented smog created by car exhausts, has bitten on the bullet. State regulations stipulate that, by 1998, at least 2 per cent of new cars on sale must be zero emission (in other words, electric) vehicles. The quota will go up to 5 per cent by 2003 and 10 per cent by 2005. Seventeen other states have either followed California's lead or have said they will.

It looks like a bold move. But, as one Los Angeles car dealer said: "They can make me put electric cars in my showroom – but they can't make people buy them if they don't want to."

Sport / **Jurek Martin**

Soccer competes with a freak show

It's rough in Washington DC. The American football team is pathetic this year, the basketball team cannot find the basket, nobody cares about the toothless ice hockey club and we have not had a baseball team for nearly a quarter of a century (we will not have a football team either if Jack Kent Cooke, the owner, moves the Redskins to some racetrack in Maryland).

But we are not alone; it is rough all over the US. Although the college game thrives, professional football has become boring, says no less an authority than *Sports Illustrated.*

The best quarterbacks are ancient, such as Joe Montana, or injured, the victims of the awful artificial turf. The air has gone out of basketball with the retirement of Michael Jordan and it has been reduced to recruiting Gheorge Muresan, a 7ft 7in Romanian with pituitary problems, and Shawn Bradley, a former Mormon missionary an inch shorter, as if the embarrassing performances of Manute Bol, a 7 ft 6 in ex-herdsman from Sudan, were not a warning.

Baseball players are paid too much to play with any enthusiasm and the talent is too diluted by expansion. Purists were appalled by, though strangely drawn to, the ineptitude that characterised much of the last World Series. Ice hockey is so desperate for fans that it is being played near Disneyland, light years from its frozen northern home, by a team called the Mighty Ducks.

The only golfer of interest is John Daly and mostly for what he does off the course. Juvenile tennis stars burn out with monotonous regularity. No wonder the US is becoming addicted to the virtual reality of video games.

It is tempting to conclude that soccer, coming here in the shape of the World Cup next year, is pushing on an open door. Millions of children, girls included, play it because it is cheap and safe. There may be no professional game played outdoors but college soccer is starting to resemble the real thing.

There is a young man from New Jersey, Claudio Reyna, the University of Virginia's midfield player, who is coveted by the wealthy clubs of Italy and Spain. When the US national side beat England last June it made the front page of the sports sections with lots of funny headlines. There is already a black market for tickets for all the World Cup games and about one-fifth of them are going to appear on national television.

Such temptations should be resisted. Soccer will get a boost from the World Cup but it must be at least a generation away from establishing itself as a "major" sport in the US. There are lots of sober reasons for this view, including lack of money and the problems of adapting a sport with no artificial break other than half-time to a television system so dependent on commercial breaks that an American football game of one hour's actual playing time typically lasts three hours. But these are only half the problem.

The first is size. Thighs and long hair apart, there is nothing physically distinguishing about soccer players. They may be marvellous athletes in their own right, but they look – well, ordinary, and Americans like to associate themselves with the extraordinary.

Football features 300 lbs linemen capable of running down ball carriers barely two-thirds the weight. People flock to watch Daly hit a ball further than any successful golfer has.

Soccer players look ordinary. Americans like to associate themselves with the extraordinary.

The American sports fan might like to think that he, sometimes she, can emulate their feats. So they buy jumbo drivers and once in a blue moon the taller ones succeed in slamdunking a basketball into the net in their driveways or throw perfect spirals in a touch football pick-up game. But it is all a dream, whereas soccer, played by ordinary looking people, is closer to gritty reality, from which sports are supposed to provide an escape.

Then there is the statistical problem, which runs far beyond the fact that there are not enough goals in soccer. Americans prefer sports with high scores, which is why the 16-14 World Series victory by Toronto over Philadelphia was so compelling. Americans are consumed by the numbers which lie behind the final score, as even a glance at any US newspaper's sports page attests. Assists, tackles, errors, yards, balls, catches, pitches, averages, blocked shots, turnovers, saves, minutes played and much more besides are all minutely catalogued.

Soccer can provide only a fraction of this numerical diet, which not only forms the stuff of every sports talk show and post-game office conversation but serves as a measurement by which players may reasonably fairly be compared, even over generations.

All that is left of Bobby Charlton are fond memories and flickering black-and-white film, but Ty Cobb, who played in the first 20 years of this century, is still there in baseball's statistical compendium.

Player image also does not seem to work in soccer's favour. There is a debate among US professional sportsmen over whether or not they should serve as role models. Charles Barkley, who plays basketball for the Phoenix Suns with unreserved passion, rejects this imposition and Jordan's well known gambling flouted it.

But it is a burden mostly accepted by the stars, even to the point of mind-numbing blandness in, for example, golf (broken only when some of the Ryder Cup team complained about having to meet Bill Clinton because he had just increased taxes on their vast incomes). Most sports have severe sanctions for those who transgress off the field by use of drugs or alcohol.

Soccer, on the other hand, seems stuffed with renegades, roustabouts and lawbreakers, at least according to the European tabloid press. Maradona, easily the best known player coming to the US for the World Cup, would definitely be on a suspended list if he were playing here.

The final problem for soccer is that US sports are never static and always respond to even the hint of discontent. When pitchers became too dominant in the 1960s, baseball made it harder for them by lowering the height of the mound. Football is forever tinkering with its rules to make life safer for the quarterback and easier for the wide receiver, basketball introduced the three-point shot and the time clock and ice hockey cracked down on fighting (a mistake since a good brawl was always as much of an attraction as the artistry of Gretzky and Mario Lemieux.) Soccer's comparable options seem more limited.

And there are always great players in the pipeline to revive interest. Baseball has a clutch of budding stars in their mid-20s, basketball can replace Jordan with Shaquille O'Neal, Alonzo Mourning and Shawn Kemp, Troy Aikman-to-Michael Irvine can supplant Montana-to-Jerry Rice who supplanted Terry Bradshaw-to-Lynn Swann, Eric Lindros supplanted Gretzky and so on.

Here in DC, we will go to RFK stadium to catch, if we can find a scalper, whoever the World Cup draw gives us and we will expect to be entertained, even by Saudi Arabia. But – seriously – we will still be more interested to see if the decline of the once-great 'Skins is reversible or if, 40 miles down the road, Rafael Palmeiro, the new $30m (£20.1m) first baseman, can bring a pennant to the Baltimore Orioles.

After all, to paraphrase a great politician, all sport is local and soccer merely a world sport.

Financial Times Round the World Ski Expedition / **Arnie Wilson**

Odyssey cleared for take-off

COMPETITION

WIN A SKIING HOLIDAY IN ZERMATT

In the first of our monthly 'Round the World' competitions, simply answer three questions below, and estimate how many miles Arnie Wilson will ski during the first month of his expedition. The winner will receive a week's skiing holiday for two in Zermatt, provided by Ski Scott Dunn, and two runners up will each receive a case of six magnums of Mercier champagne.

QUESTIONS

1. Which famous US ski resort did former US President Gerald Ford frequent?
a. Squaw Valley b. Monarch c. Vail d. Beecheridge e. Aspen

2. What is the American term for "a piste"?
a. Snow run b. Trail c. Snow route d. Slope road

3. In ski-jumping, which is the most famous competition?
a. Three Hills b. Four Hills c. Five Hills d. Six Hills

And how many miles will Arnie ski this month?

THE PRIZES

Ski Scott Dunn holidays include British Airways flights, central chalets, ski guiding and nannies. Destinations feature Zermatt, Champéry, Courcheval 1850, and Jackson Hole. Telephone: 081-767 0202

Champagne Mercier was founded in 1858 by Eugène Mercier and still produces fine champagne today – champagne ideal for adding sparkle to any occasion.

HOW TO ENTER

Send your answers, plus your estimate of Arnie's mileage, with your name and address on a postcard to: Round the World Competition, Marketing Department, Financial Times, Number One Southwark Bridge, London SE1 9HL.

TERMS AND CONDITIONS

1. Entries on a postcard to: Round the World Competition, Marketing Department, Financial Times, Number One Southwark Bridge, London SE1 9HL, by Friday February 4,1994. 2. The closing date for receipt of entries is Friday February 4,1994. Proof of posting is not proof of receipt. No responsibility is accepted for entries lost, damaged or delayed in the post. 3. This competition is open to all readers over the age of 18, other than employees or their immediate family of the Promoter, or any agency or any other person directly associated with this competition. 4. By entering this competition, the Entrant will be deemed to have read and understood those rules of which the entry instructions form part and to be bound by them. 5. Prizes will be awarded in order of merit to those entrants who correctly answer questions 1-3 and who in the judges' opinion have most closely estimated the number of miles Arnie (or Lucy as his stand-in if Arnie is incapacitated) will have skied by the end of January. In the event of a tie, or ties, winning entrants will be invited to enter a separate play-off competition. 6. There is no cash alternative to the prizes. The decisions of the panel of judges shall be final and binding and no correspondence will be entered into. 7. Prize winners will be notified within 28 days of the date of judging. 8. A list of winners is available from the application address on receipt of a stamped addressed envelope marked 'WINNERS' after the close date. 9. The promoter is Financial Times, Number One Southwark Bridge, London SE1 9HL and Ski Scott Dunn, Fovant Mews, 12 Noyna Road, SW17 7PH and Champagne Mercier, 13 Grosvenor Crescent, SW1X 7EE.

What a start! We only just made it to Jackson Hole for the start of our expedition: the weather "socked in" so much that it seemed certain we would be forced to spend the night in Salt Lake City.

But then the cloak of thick cloud that was blanketing the Rockies along the Utah, Idaho and Wyoming borders cleared and we were free to take off for the final leg of our 5,500-mile journey to the starting gate of our skiing odyssey.

It was good to be back in the air. On the ground at Salt Lake we had only been allowed soft drinks. Now, we are arriving at this spectacular ski resort on a magical day, with champagne glasses at the ready. The vast valley floor is blindingly bright with fierce December sunshine glinting off fresh snow straight back into a cold, blue sky.

At the airport we feel like thieves as we grab bag after bag from the carousel – 13 in all, including skis. The FT ski expedition does not travel light.

One of the most fascinating aspects of our year on skis will be meeting characters such as Bill Briggs. He knows a thing or two about the spectacular jagged-tooth tidal wave that is the Teton mountain range. A bespectacled, slight individual, he walks towards us with a slight crouch: a sort of bow-legged gait as though he's riding an invisible horse. There is a reason for this.

Briggs, who runs the ski school at Sotow King, the ski resort at Jackson, Wyoming, was born with a congenital hip problem. Doctors once warned him that he would need new hips and could say goodbye to his skiing career.

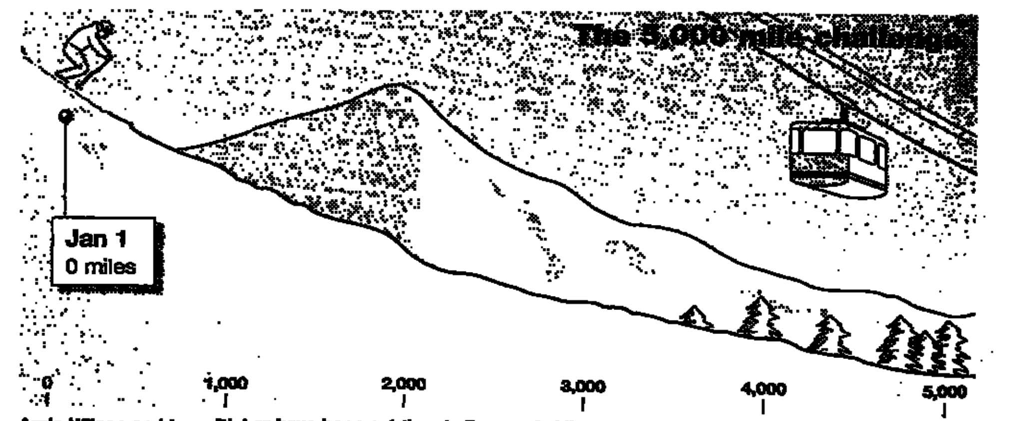
"They told me that once they had set my new hips, I would never be able to crouch in the skiing position again," he said. "I thought for a moment and said: 'Why can't you set my hips in a skiing crouch instead of standing straight?' So they did." His decision was to help make local history.

One summer's day in 1971, Briggs and two friends battled half way up the Grand Teton, 13,770 feet high. Between them they were carrying his skis.

Then, leaving his companions to descend, Briggs continued the climb alone. It was an extremely tough undertaking, not made any easier by having to carry his skis.

Eventually he staggered to the top and struggled to get his skis on: "As fast as I managed to get one ski on, the other one would try to ski off on its own."

Once or twice during an awe-inspiring four-hour epic descent, Briggs thought he had skied his last: he cartwheeled into ravines and spun down couloirs. Finally, breathless and faint, he was safely down – the first man ever to ski the Tetons.



Arnie Wilson and Lucy Dicker have been set the challenge of skiing 5,000 miles during their year on the slopes – further than skiing from the Alps to the Himalayas, and an average of just under 100 miles a week. They will be reporting regularly, and their monthly totals will be used in reader competitions (see panel, left)

For my epic round-the-world journey, I'm skiing with Lucy Dicker from Marseilles. Lucy has undertaken the bulk of the organisation – planning routes, arranging visas etc. And we have no intention of disrupting our trip by getting frostbite or taking unnecessary risks.

So Lucy and I will not be following in Bill Briggs's footsteps and ski-tracks; nor will we be tempting fate on our first day by risking some of Jackson Hole's more intimidating runs.

Besides, there's one I'm too scared to attempt for a second time: Corbet's haunted me for years before I finally fell (literally) into it four years ago. For five successive winters I had skied gingerly under the rope and edged on skis to the very lip of the abyss before looking down into it. Like some enormous wicked whale's mouth it threatens to drag you in and gobble you up.

The problem is that unlike the lethal-looking S & S Couloir round the corner, whose 30-foot leap renders it out of reach for all recreational skiers, Corbet's is just about skiable by any goodish skier. To know it is there, inviting you to test your mettle in its gaping jaws is to know that one day you are going to have to rise to the challenge.

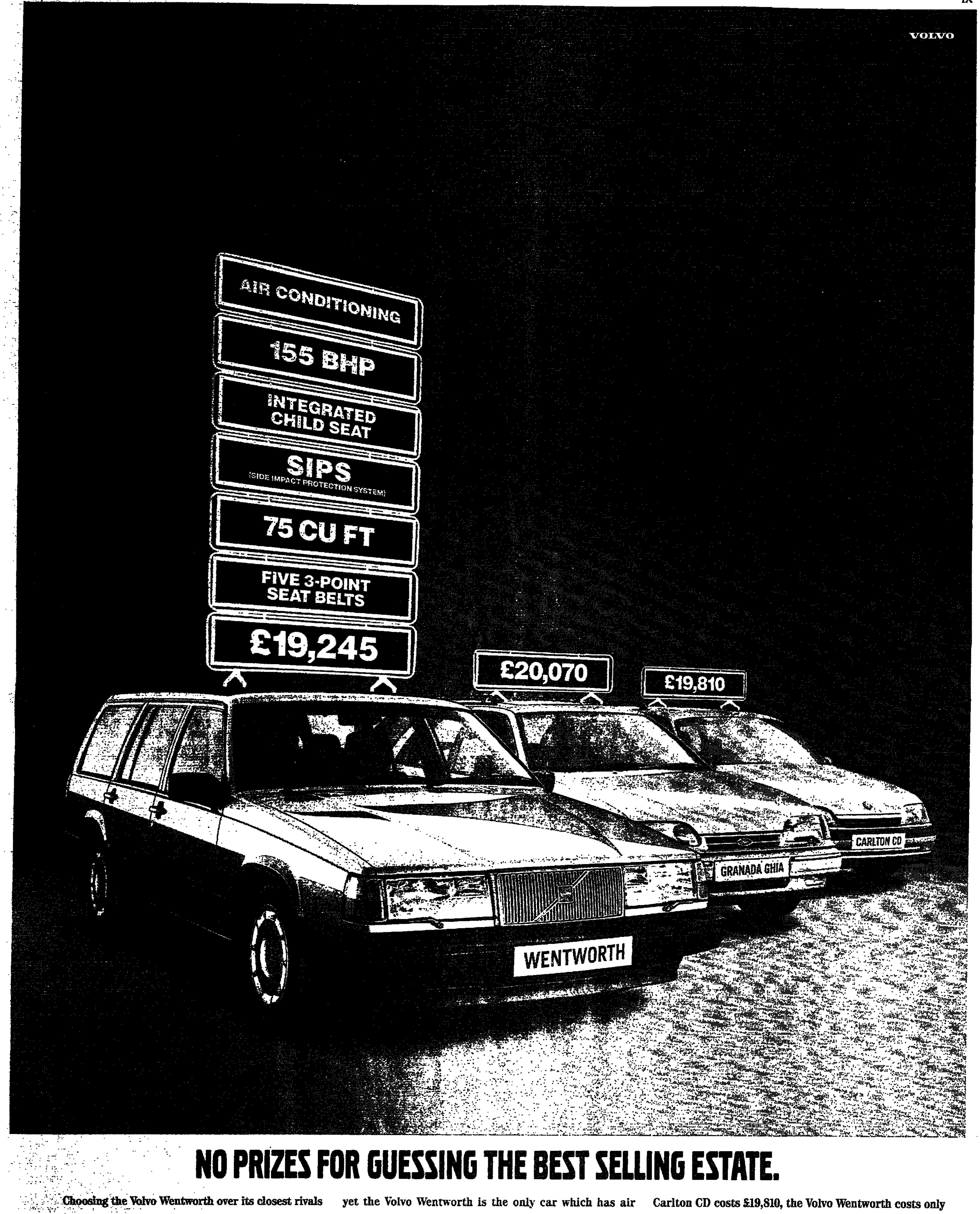
But today, the crowded tram has delivered us to the top of the first of the hundreds of ski runs we will encounter this year.

We gaze in awe for a few seconds at the vast valley floor, eyes lingering for a moment on the figure of the Sleeping Indian (a mountain which resembles a huge Indian chief with full head-dress lying on his back) perched on top of the distant Gros Ventre range. It means Fat Stomach. Thank goodness Lucy is here to translate.

It's January 1, 1994 and we're heading for Rendezvous Trail. Next stop Sun Valley, Idaho. Our skiing odyssey has begun.

■ The Financial Times Round The World Ski Expedition's principal sponsors are: Ski The Summit, Colorado; Hewlett-Packard; Avis; American Airlines; Air New Zealand; Snow + Rock; Luhta; Dynamic Skis; Fogg Travel Insurance; Champagne Mercier; Clarins.

■ *Arnie and Lucy stayed at The Inn at Jackson Hole, telephone 010-1-307-733-2311. (Jackson Hole ski resort, telephone: 010-1-307-733-2292, fax 7331286).*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NEWS FROM *the* NEW YEAR

ARTS

Boom or bust: crunch time for culture

After all the furores over the Arts Council, the London orchestras and the Turner Prize, the FT critics look to the future

Cinema/Nigel Andrews

After the age of the dinosaur

Hollywood, Boom; Rest of World; Bust. That is the first vision a film critic sees when he wires himself up to the Virtual Reality game, "Guess The Future."

As the decade/century/millennium lives out its dotage years, popular American cinema is spreading through the world like some benign Alzheimer's Disease. Forget your troubles; forget there was ever such a thing as "art cinema"; forget that intelligent audio-visual life existed between the First Jurassic Age (dinosaurs) and the Second Jurassic Age (Spielberg).

"Popular American cinema", of course, puts it too narrowly. We must call it the whole US moving-image culture from films and videos to computer games and theme parks. In recent years only the Far East – hi-tech Japan and cinematically emergent China and Taiwan – has developed any kind of audio-visual vernacular to compete.

Japan's adventures in video, computer-games and high-definition TV, and at other points along today's screen-technology frontier, have created interest in a pop-futuristic iconography which, given Japan's foothold in Hollywood itself, may soon start filtering into American movies and TV. (In fact it is already doing so: look at the mix of Samurai folklore and Virtual Reality in TV's *Wild Palms*, or the hi-tech/sci-fi stand-off between East and West in *Rising Sun*.)

Meanwhile China and Taiwan, whose films have regularly pipped America's at recent film festivals, are starting to fill the gap between a disappearing European art cinema and a retarded popular US cinema. Films like *The Wedding Banquet*, *Farewell My Concubine* and *The Story Of Qiu Ju* prove that despite the political adversities and scant funding resources of the countries where they are made – or perhaps because of those handicaps (young cinema enjoys a struggle) – these nations are creating the closest thing to a new cinema of humanism since the French New Wave.

Neither of these nations has yet made a big impact on the Western box office: which is the West's loss. We on the Atlantic seaboard are left looking back at 1993's searingly forgettable releases and asking, Can there be life after *Jurassic Park*? That Americans have paid $334m to date, topping the hitherto highest-grossing *ET*, to watch the world's most boneheaded prehistoric drama since *The Flintstones* is bad news for civilisation. (Worse news is that *The Flintstones* itself comes to your large screens this year.)

Chen Kaige's 'Farewell my Concubine': China and Taiwan are filling the gap between the disappearing European 'art cinema' and Hollywood pap

But perhaps this pattern of historical back-pedalling, of a film industry yearning alike for pre-civilisation and for primeval story properties, fits naturally into a millennial time: *reculer pour mieux sauter*. And the same desire to give the home-base one last hug before being hurled into the year 2000 may explain – if not excuse – Hollywood's fascination with the sequel. We keep being told it will stop; it never does. Coming soon: *Look Who's Talking Now*, *Return To The OK Corral*, *City Slickers 2*, *The Neverending Story 3*...

Sequels we can almost take: they have become a fact of filmic life. But other forms of derivativeness and running-for-cover in Western movie-making are more disturbing.

One is the "Have you watched any good books lately?" syndrome. Increasingly the men who were once American cinema's great adventurers – Martin Scorsese, Francis Coppola – have been abandoning their old rough-and-tumble hyper-realism for a season ticket to the public library. Last year we found Mr Coppola at the shelves marked "S" for Stoker, Bram. Since then Mr Scorsese has been bookworming through "W" for Wharton, Edith (*The Age Of Innocence*, opening here on January 25).

There has to be more to cinema than this: than a movie world caught between two forms of emulation – low aping of its own action tropes and high piping to the tune of famous literature. But I fear that Hollywood, having put Europe to the sword with its own world-colonising populism, is now content to rest on the spoils of its victory. It knows that the great days of the European writer-director are over: and that the auteur who invents and shoots his own original stories, racing about the land unencumbered by studio committees, story conferences and bloated production costs, is a dream being swallowed up by history.

What we want for 1994 is not a new year resolution but a new year revolution. Something to put the pep back into all those ailing movie lands between Tinseltown and Tokyo. And something to get Hollywood out of its second stone age and into the third millennium A.D.

Music/Max Loppert

Musical farce may sharpen the batons

Any bets on the fate of the Arts Council of Great Britain in 1994? The Great London Orchestra Farce came to an end in the middle of last month, and mockery and abuse then rained down on the whole organisation – accompanied by more than one public call for it to be wound up altogether, and replaced by a line of direct government funding of the arts.

The hilarious yet heartbreaking saga of administrative tomfoolery that led to the outcry may be briefly summarised as follows: an independent team set up by the musical panel of the Arts Council to decide, by means of a "beauty contest" which one of three London orchestras would become a super-orchestra and, in counterbalance, which other two would lose their grant; a huge outcry by supporters of all three orchestras elicited by the beauty contest; a concluding judgment by the independent team then completely ignored by the Council; a final decision on orchestral funding for 1994-95 amounting to a comprehensive fudge of the whole issue.

The questions which arise out of the settling dust and all the merriment at the Council's expense are the following: does a body that in the last few years has shown both an inability to support all its clients effectively, and a propensity to turn against some of those clients on what has often looked like the merest whim – does such a body deserve to exist any longer?

There is no predicting with confidence either its survival or disintegration. But, in curious and rather satisfyingly unexpected fashion, one side-effect of the "beauty contest" seems to have been a greatly increased sense of artistic urgency among the London orchestras recently under scrutiny – a sense of sharpened concern to raise the standard and "interest-quotient" of both programmes and roster of conductors and soloists.

The Philharmonia, with an exceptionally interesting programme of early-evening contemporary-music concerts already in its second year of existence, seems to have woken up the most. The London Philharmonic, though its recent welcoming-on-board of Harrison Birtwistle and Roger Norrington had the look of a desperate face-saving exercise, now looks set to follow suit. (Neither of those orchestras will really gain full credibility, however, until the question-marks hanging over their far-from-infallible Chief Conductors are resolved – in the case of the Philharmonia's Giuseppe Sinopoli, the naming of a successor, and in that of the LPO's Franz Welser-Möst, greater evidence of artistic maturity than he has so far shown.)

The Royal Philharmonic, least-encouraged of the trio, has come out of the experience with dignity and new sponsorship from Classic FM; its seeking-out of a "National Orchestra" identity, and its exciting new links forged with the Kirov Opera (as witnessed in the splendid concert performance of Tchaikovksy's opera *Iolanta* early last month), are two clear tokens of new vigour there too. And, as everyone has commented, the London Symphony, safe in its Barbican Hall home, goes from strength to strength: the appointment of Colin Davis as Chief Conductor (from 1995) has already cast a glow over all its activities.

So could 1994 be a boom period for London orchestral concerts? Here again, easy, surefire predictions are not on offer. As my colleague Antony Thorncroft suggested a few Saturdays ago, the idea of the London super-orchestra may well come back from the dead in a few years time. And the basically shaky financial condition of the three beauty-contestant orchestras should not be forgotten.

But I shall not be at all surprised if, for some while at least through 1994, one result of the London orchestral brouhaha is a pleasingly ironic one: a newly vital, uncomplacent London orchestral scene.

Ballet/Clement Crisp

Find the dancers a home

Hope may spring eternal, but there seems little good to anticipate on the British dance scene this year. Our two leading modern dance troupes – London Contemporary and Rambert – are in a state of flux: in its infinite wisdom the Arts Council has arranged that the former will be cut down to size, while the latter will be given boots too big for its present capabilities. Our smaller modern ensembles offer dull creations and low dance vitality, but are promoted above their station. (What Jonathan Burrows does this year will be a matter of real fascination: he has an original creative talent, unlike most of the dabblers whose offerings are the commonplace of dance-going.)

The Royal Ballet is on reduced performance rations at Covent Garden, and is repeating too many of last season's repertory mistakes. Evenings are being marketed under flatulent titles – *The Immortal Hours*, so likely! – rather than on merit. The natural wealth of the company, which is the great store of its productions, is not shown on artistically credible or logical terms. If New York City Ballet can mount a Balanchine Festival, why should not Covent Garden give us an Ashton Festival, a MacMillan celebration, and excite public response to two of the central figures in ballet of our time?

The Royal Opera House must close for refurbishing in 1997, with a scheduled re-opening in 2000. Where the resident ballet and opera companies will find a nest is by no means clear. Drury Lane is persistently bruited, and were it to become available this theatre would also answer a further long-standing problem: our need for a dance house.

If I have one hope for the coming year, it is that definite moves be made towards securing a home for national and international dance in London. We have but to study the example of the Paris Opera. With the opening of the spiffing new Opéra Bastille, Garnier's adorable palace has become a great European centre for dance. The Opera Ballet is resident there, and the theatre also offers hospitality to many visitors. (The Royal Ballet should have played there last summer.) The present season's immediate example shows that, by July, the Palais Garnier will have presented ten varied programmes by its house company, and will also receive five guest ensembles, ranging from Twyla Tharp to the San Francisco Ballet.

A comparable theatre in London might rescue our ballet and dance troupes from their doldrums, and it would provide a much-needed location for large visiting ensembles, who otherwise have to fight for free weeks at the Coliseum or Covent Garden.

I do not believe in the Albert Hall as a serious dance house, whatever the advantages in size for a troupe like the Bolshoi. I do believe in the idea of a dance house which would allow the Royal Ballet to play seasons in addition to its Opera House schedules, which would provide a home for English National Ballet, would adapt in size to take in smaller companies, and, most significantly, would help broaden the experience of our dancers and our dance public.

Once upon a time (the 1940s-'60s) London was a major dance centre, and we saw an exceptional variety of performance. We are now starved, and our audiences are shrinking as much because of the predictability of the dance on offer as because of exorbitant prices. We could do worse than provide the space in which our own companies, and our visitors, might show us not just what we have missed in recent years, but what marvels dance can achieve in a proper setting.

Jazz/Garry Booth

Sink or subsidy

Leaving aside harmless men in bowler hats and striped satin waistcoats, jazz divides people. For the unconverted, the sound of improvisation is akin to tinnitus. But, to the modernist at least, jazz is the sound of art in action.

Jazz is young – it is only 75 years since the word was first uttered. And if its artistic development has been explosive since then, it is only just emerging from the underground to take its place in the conservatory, concert hall and on the air waves.

As with all cutting-edge art, jazz and its practitioners need subsidies to develop and flourish. Listeners, too, need access to a music best taken live, which means more touring and better venues.

Jazz in the UK has not fared well thus far, however, and has played second fiddle to all the other performance arts. In March, though, the Arts Council will reveal the results of its first ever National Review of Jazz. This assessment will then be used to allocate funds for the following financial year (1995/96) although, given the gloomy climate for funding as a whole, and the council's record over funding jazz in particular, the beard-and-beret set are not optimistic.

Arts Council research (for 1991/92) shows that the same number of people attended opera as jazz (2.74m). Those at opera got £7.95 subsidy a head while the jazzer got just 8.5p. While it might not be fair to play off one art form against another – classical music buffs get £1.66, ballet fans £5.74, and contemporary dance-goers £1.56 – the numbers do say something about the artistic order, and how the funders see the place of jazz in it.

Jazz has coloured a great deal of what is considered new and exciting in music (in rap as much as in new classical music) and even in literature (Toni Morrison's *Jazz*), and it continues to explore new territory. This development, precisely because its success is not assured, so often takes place without commercial encouragement. But this is the place for subsidy, surely. (Or perhaps the creeping comfort of the "heritage" movement would be more generous about preserving, say, trad jazz).

It is not even that modern jazz is entirely too challenging: audiences are submitting themselves to it in increasing numbers. The same Arts Council survey has shown attendances for the music have grown by 20 per cent in the five years to 1991 – the so-called jazz boom.

This is why the jazz constituency – musicians, promoters and audiences, – feel a turning point has been reached. Not only would renewed funding keep the fires of improvisation burning in 1994, it could also reward the growing curiosity of new listeners.

Exhibitions/Susan Moore

Open all hours

The best news for 1994 is that the new Italian Minister of Culture, Alberto Ronchey, has decreed that all monuments, museums and galleries should be open from 9am to 7pm. No more apologies pinned to firmly closed doors. No more closures at two. Hurrah!

Otherwise some of the most enjoyable exhibitions of the year have shown us collections – public and private – that are not otherwise easily accessible. The most spectacular was – and still is – *When Books Were Painted: Illuminated Manuscripts in France 1440-1520* at the Bibliothèque Nationale in Paris (until January 16). Only rarely can such light-sensitive material be displayed. Over 230 manuscripts demonstrate the genius of French Renaissance painting. The richness of the manuscripts' unfaded colours is a revelation.

Most controversial was the highly lucrative whirlwind world tour of the great Post Impressionists from the Barnes Foundation (currently at the Musée D'Orsay until January 16). The trustees' flagrant breach of Dr Barnes' indenture expressly forbidding the loan or sale of his works of art (the courts quashed an earlier attempt to de-accession up to 15 paintings) is enough to make any would-be philanthropist think twice about benefitting the public good. Fears were also expressed that many of the pictures, Suerat's seminal "Poseuses" among them, were in no condition to travel.

In London, the anticipated publication of the first complete catalogue of the Italian drawings in the Chatsworth Collection prompted the display of a choice selection at the British Museum (until January 9). Coincidentally, some of the sheets that got away – sold at auction in 1984 and 1987 – took a bow simultaneously in *Drawings from the J. Paul Getty Museum* at the RA (until January 23).

However glorious the individual exhibits, the "100 best tunes" approach makes for the least ambitious and the least demanding of shows. It was far more heartening to discover that the multi-disciplinary blockbuster is still with us, feeding the mind as well as feasting the eye. At the Martin-Gropius-Bau in Berlin the massive *Japan and Europe 1543-1929* brought together books and manuscripts, scientific instruments and treatises, maps, prints and screens, export lacquer and porcelain, painting and sculpture to document the unexpectedly rich cultural cross-fertilisation.

Versailles and the Royal Tables of Europe at the palace of Versailles repatriated the finest surviving French gold and silver plate and porcelain – housed as far afield as St Petersburg and Lisbon – plus paintings, table-plans, menus and the like, to present the fruits of the recent research of art, court and food historians (until February 27). Delectable.

Thanks to the restoration project of its sponsors, LVMC, Versailles is now able to stage regular exhibitions and bring some life back into the empty chambers of Louis XIV's magnificent palace.

NEWS FROM *the* NEW YEAR

ARTS

Auctioneers all bubbly about 1994

*And the trickle down effect will help, says **Antony Thorncroft***

Antique dealers, from Bermondsey Market to New Bond Street, and fine art auctioneers, from Bonham's, Lots Road to Christie's, St James's, had plenty of excuses to raise a glass last night. They could choose to celebrate a much improved 1993 and bright prospects for 1994, or drown their sorrows at another poor trading year, made worse by the imminent arrival of VAT on imported antiques from non-EC countries which threatens to destroy the UK's attraction as an open market.

The auction houses drank the champagne; the dealers the asti spumante. The 1993 results for the auction houses were distinctly encouraging. Sotheby's, globally, raised its turnover by 17 per cent to \$1.32b. (In sterling terms it was a 31 per cent jump to £879m.) It also managed to stretch its lead over arch rival Christie's, which recorded a 3 per cent dollar gain, to \$1.1b, or a sterling rise of 14 per cent to £726m. For both salerooms the recovery picked up steam in the autumn season.

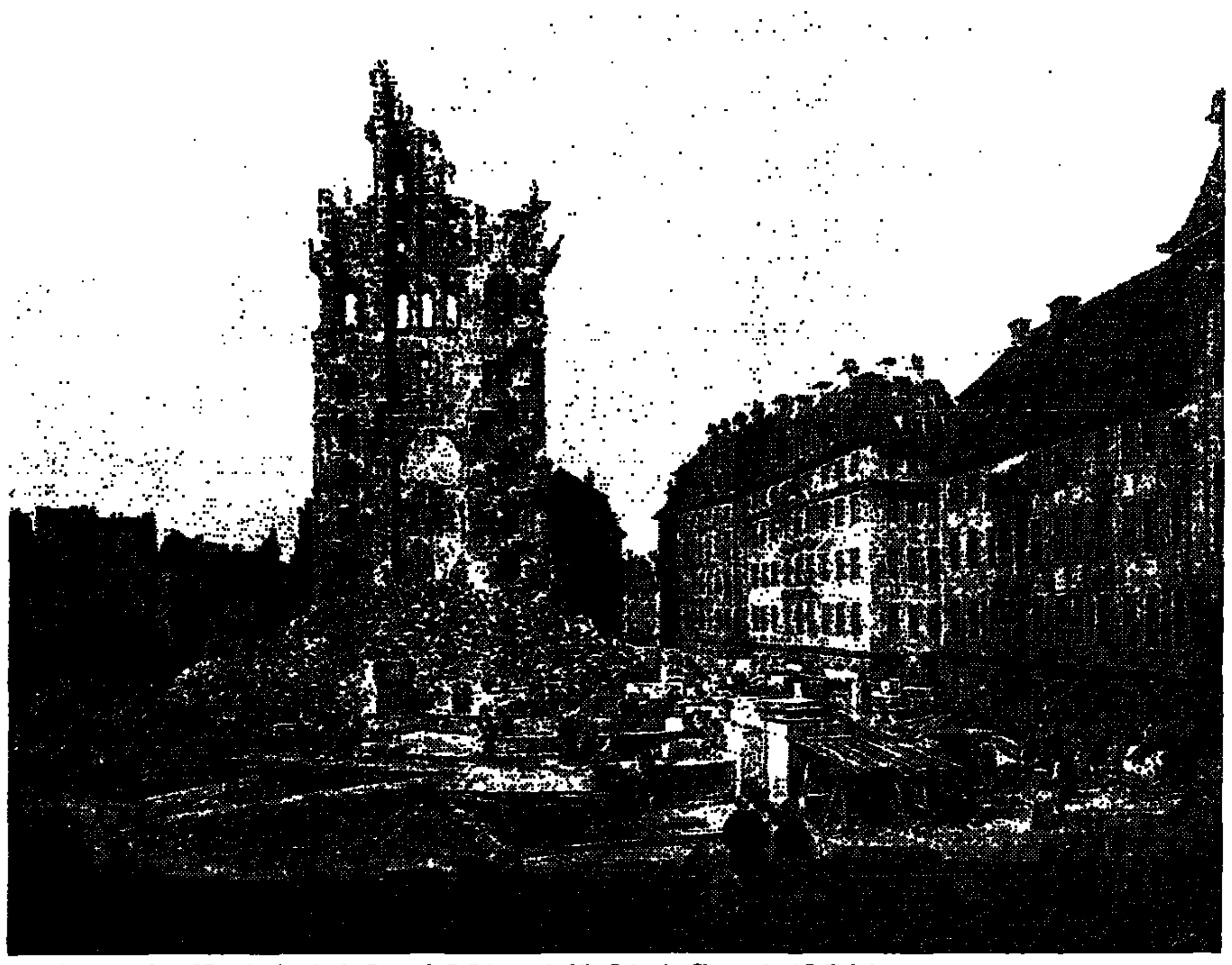
Facts matter in the art world. The problems of the last four years have concentrated around the shortage of fine antiques to sell. Despite the apparant invitability of the three "D"s which feed the market – death, divorce and debts – somehow sellers (even Lloyds Names) have managed to hold off, awaiting higher prices. The year-end results could spread the word that owners can once again profitably cash in their antiques.

There are certainly some appetising sales on the horizon. The new tycoons are often entertainers, and Christie's is disposing of Barbra Streisand's fine collection of art nouveau and art deco in March and the late Rudolf Nureyev's luxurious domestic furnishings in December. Christie's is also excited about an impressive Landseer painting of a stag and Dr Thomas Howarth's collection of Charles Rennie Mackintosh furniture and designs.

Sotheby's should have a good January, offering in New York Peter Jay Sharp's collection of Old Masters, including works by Rubens, Canaletto and Guido Reni, plus the most significant collection of folk art in private hands, assembled by the late Bertram K and Nina Fletcher Little. The likely success of these auctions should tempt out yet more major pieces.

Of course it is the big price items, Impressionists and jewels in particular, which powered the improvement in turnover last year, but middle range antiques also played their part. Christie's South Kensington auction house, the trading place for collectables and home furnishings, managed a 33 per cent jump in sales, and Bonhams, which also concentrates on affordable antiques, saw its turnover rise 24 per cent to £31m. Sales at Phillips were only 1.5 per cent greater at £82m, but at least it recorded growth again.

Sotheby's, which at one time spurned to handle goods worth under £1,000, has realised the need to capture collectors when they have modest means in the hope that their buying appetite will grow with their wealth. Expect many more "Colonnade" sales, where most lots are estimated at under £2,000, at Sotheby's in 1994.



An 18th century view of Dresden in ruins by Bernardo Bellotto: part of the Peter Jay Sharp sale at Sotheby's.

Few dealers matched the salerooms' performance in 1993 – indeed they are still losing custom as private collectors buy wholesale through the auction houses rather than rely on the advice of dealers. This trend will intensify in 1994. The auction houses, with international outlets, are also taking the arrival of VAT in the UK in their stride. Dealers fear that the initial 2 per cent tax will rise inexorably and in time put many of them out of business. "We are entering the final death rattle of the London art market" says picture dealer Roy Miles.

This is an exaggeration. Relatively few major dealers closed up shop during the recession. More merged or gave up their retail outlets to work from home and through fairs. Dealers should take heart from the improvement in demand at the medium and low price range. If the house market improves; if the stock exchange continues to provide windfall profits; if the City spawns more bonus millionaires – some of this surplus wealth is bound to find its way into antiques.

The next few weeks will show whether dealers can hope to join in the better prospects of the salerooms. On January 19 at the Business Design Centre in Islington there is Art 94, the now firmly established market place for contemporary art. Major dealers like Crane Kalman, Anthony D'Offay and Karsten Schubert are showing for the first time, and works by Bridget Riley, Bruce McLean, Richard Hamilton, Chagall, Ken Kiff, Peter Howson, and many more will be on offer.

Then on January 26 comes the World of Drawings and Watercolours at the Park Lane Hotel, with a wide range of watercolours, from Constable to Sara Armstrong Jones. First time buyers tend to be attracted to either contemporary artists or to traditional watercolours. These fairs cover the possibilities and prices will be no higher than those asked, and not always acheived, last year.

So 1994 should offer the proof of the trickle down effect: high prices paid for Picasso in New York lead in time to more sales in Portobello Road. After years of wishful thinking business should be better for the dealers. There may also be fresh ideas in the auction houses. There is a new team at Sotheby's and some important management changes at Christie's.

Collecting rises and falls in line with the state of the economy and the omens for that are bullish. Underpinning the revival there is the arrival in 1995 of the Lottery. This will provide the cash to keep the good objects in the UK. It will help museums and galleries to buy again. It will give confidence to the future of the national heritage. It will raise the profile of art and culture. Those dealers that have managed to survive could prosper again – as long as the VAT genie is kept firmly bottled up.

Elevation of everyday objects

Lynn MacRitchie explains what 'modern art' means in 1994

"I do not like art today. I think it has gone to hell, as a result of the financial attitude," wrote Peggy Guggenheim in her autobiography in 1960. So trenchant a judgment may give us pause, especially as 1993 ended with the art "market," as defined by the international sales figures from Sotheby's and Christie's, "significantly improved" on the previous year.

Ms Guggenheim's position was not entirely innocent, however. She had been used to getting work from the artists she discovered for comparatively small sums, and was especially cross when she could no longer afford to pay the prices which the American art market achieved for the work of her former protégés. While it is easy to feel sympathy with her horror at discovering buyers of art who purchase merely for investment, the conclusions she is tempted to draw are more dubious. She went on to write that the 20th century, having produced Cubism and Abstract Expressionism, could be expected to produce no more great art. "A field must lie fallow now and again," she concluded, adding "Artists try too hard to be original. That is why we have all this painting that isn't painting any more."

'Oh but Peggy, that is just where you were wrong. Painting is painting now, some of it good, some of it bad, just like it always was. The only difference is that painting now has to take its place along with a whole lot of other ways artists have developed over the last 40 or so years of expressing what it is that they want to say. Some would argue that the agenda for this, and indeed for the art of the end of the 20th century, was set by Ms Guggenheim's first adviser on contemporary art, Marcel Duchamp, who abandoned painting in favour of experiments with the mechanics of visualisation, the elevation of everyday objects into the realm of art simply by the artist's declaring them so to be.

"I don't know what I would have done without him. He had to educate me completely. I could not distinguish one modern work from another," Ms Guggenheim admitted of Duchamp with her customary candour, at the same time acknowledging that art is not just something which can be known to be good or bad at first glance.

It is something about which it is possible, indeed necessary, to learn. This truth has been lost sight of these last few years when the politics of the marketplace and the pressure for success have skewed our view of what it is, exactly, that artists do. The fact that some people pay enormous amounts of money is not relevant to the work which is done. For whatever artists may create, it is not the art market.

What I think they do, and what Peggy Guggenheim thought too when she was forced to admit it, is make us think about the world we have made. "Art mirrors its age," she wrote of Cubism, "therefore it had to change completely as the world changed so vastly." Artists offer us an image of our times, which we may accept or reject as we choose. Our only duty is to try to understand.

If artists are presenting us with concrete houses or piles of bricks or paint dripped from the end of a stick over tarpaulins on the floor we must ask not how much, but why. Why this? Why now? For artists do not create in a vacuum; their work has a source and that source, fundamentally, is their life, their experience of the world we all live in. If we do not like what they make us see, it is only because, as our truest mirrors, they are showing us something of ourselves.

Is it possible, for instance, to look at the work of Francis Bacon, accorded a magnificent exhibition in Venice last summer, and not recoil in horror? But his images of human suffering and degradation are valued, highly valued, in both monetary and artistic terms. We look at them and know that something of us is up there too, something which could also be twisted and dark and terrible. It just takes a little getting used too.

I for one am delighted when the moment of breakthrough comes, and the struggle in the studio begins to see the light of day, whatever form it takes. I, unlike Ms Guggenheim and so many since, am willing to look at anything. And I know, as I look at an installation in a derelict factory or a performance in a desolate warehouse that, if the quality is there, the market will, eventually, follow. The artist leads, the money comes behind.

Blockbusters – and Buckingham Palace

***Patricia Morison** on what people really wanted to go and see during the year*

What did people want to see in 1993? It was the year when the masses stormed into the Long Gallery of Buckingham Palace. In two months, 377,000 visitors trod reverently along the red temporary carpets. Some people went to see the art and a lot of people bought ties. This happy experiment, long overdue, will be repeated next summer. It should become a permanent feature of a London August.

This was the year when cultural one-upmanship meant saying smugly "Actually, I saw it in New York..." or, "I saw it in Washington." *Matisse* and the *Barnes Collection* were the titans among the international blockbusters, giving pleasure to millions and handsomely repaying their investment.

Matisse at the Pompidou Centre in Paris attracted 743,000 visitors. It was not far off double the number (410,00) who went to the Grand Palais for the vast and dazzling exhibition of paintings from Renaissance Venice, *The Century of Titian*. The Pompidou show needed a lot of fortitude. By ducking and weaving it was possible at least to clap eyes on most paintings. Even so, I wonder how many people share my feeling that it would be more accurate to say one experienced the Matisse show than actually saw Matisse.

Comfortably outstripping Matisse already is the exhibition which, if the late Dr Edward C. Barnes had had his way, would never have been thrust onto on the world's stage; Impressionist and Post-Impressionist masterpieces from the Barnes Collection at the Musée d'Orsay in Paris until January 2. The number of visitors is estimated to stand at over one million.

Yet I confess to feeling only slightly wistful not to be one of the million who has "seen the Barnes". My far keener regrets are for missing Jacopo Bassano (Kimbell, Fort Worth/Bassano del Grappa), Judith Leyster (Haarlem/Worcester Art Museum), and above all Ribera's suffering saints and philosophers (Metropolitan, New York). Those are chances which will not recur whereas, being rational for a minute, what has one missed with a loan selected from a permanent exhibition?

In Paris, moreover, the Barnes exhibition was adulterated with pictures from the Orsay's collection. So the real experience still awaits us, the Barnes Foundation at Merion in Philadelphia. This is by all accounts one of the most idiosyncratic and absorbing collections of paintings of the century – always assuming that its trustees yet again thwart the wishes of Dr Barnes by re-hanging the collection.

At the Royal Academy in London, the most successful exhibitions were *Pisarro* (195,700 visitors) the *Great Age of British Watercolours* (208,887), and *American Art*. This last, despite being soused with critics' bile, drew close to 200,000. One exceptional show which might have seemed rather difficult, *Wisdom and Compassion; Sacred Art of Tibet*, had 147,000 visitors, more than *Sickert* (136,000) and not far off the National Gallery's biggest success, *Edvard Munch* (162,000).

This was the first year that I recall major exhibitions having muzak. There was Russian chant at *Gates of Mystery* at the Victoria and Albert Museum, and maddening trumpets at *Canaletto in England* at Birmingham. However, it seems horribly likely that muzak will become more common as museums look for a wider, younger public. Just about every other human activity is now done while listening to music, so why not looking at paintings?

Happily, 1993 also brought the day closer when if you do not like the music, you do not need to go. In September, Microsoft "delivered London's National Gallery to the Desktop". A CD-Rom allows art-lovers to "search, browse, and navigate" the gallery's 2,000 paintings. It gives an animated lesson in perspective, and takes you on guided tours of the galleries, and teaches you how to pronounce artists' names. Give it a decade, and the world's greatest museums, palaces, cathedrals, even the blockbuster shows, will be accessible without getting off the sofa.

Just show me a painting

***William Packer** is fed up with current academic orthodoxy*

One might well feel that a year that began with *Gravity & Grace*, the South Bank Board's high-minded, mind-numbing survey of the conceptual sculpture of the early 1970s, at the Hayward in January; got into its stride with the narrow critical correctness of the Barclays Young Artists Award (now defunct) at the Serpentine; continued with Georgia O'Keefe at the Hayward in the spring, Richard Hamilton at Venice and Tony Bevan at the Whitechapel in the summer; and wound up last month with Julian Opie's play-bricks at the Hayward (again), the recent glories of the Turner Prize, and the present graphic fatuities of Michael Craig-Martin at Waddington, must have been pretty grim. Well, up to a point it was.

I am not sure whether I find the academic orthodoxy of the earnest apologists for so much of this stuff, the polarised arguments of their critical opponents, or the work itself, the more dispiriting. It is as clear a nonsense to suppose that the Tate, for example, should only concern itself with the current effusions of the Goldsmiths' College, as that nothing of any interest will ever come from that source.

The heresy is that only the supposed avant-garde of the moment can be of any creative interest. There is, of course, a great deal of abstract art of the highest quality, and minimalist and conceptual works of great beauty and imaginative potency – of course, of course. And figurative art is still with us, and the direct response to the real and perceived world will always remain as valid in creative terms as any amount of theorising or conceptual posturing. Of course: of course: all so obvious. And so why is it necessary to say as much, again and again?

That said, we can cheer up, for throughout the year there has been, as always, a great deal about to do just that, cheer us up. Paris in particular, has been a great comfort, and Venice too, and London and Edinburgh not so far off the pace. Here then, in a short space, are a few plums picked from my own basket of shows I actually reviewed.

Matisse at the Centre Pompidou, a show quite distinct from last year's full retrospective in New York, and the definitive review of the artist's early career; 1893, l'Europe des Peintres, at the Musée d'Orsay; the Nabis, at the Grand Palais (prematurely closed since the roof fell in); the Unknown Modigliani, at the Palazzo Grassi, doubling the canon of known drawings and transforming our understanding of the artist; the Venice Biennale's *ommagio* to Francis Bacon, at the Museo Correr; late Pissarro's late city-scapes, at the Royal Academy; Lucian Freud's work of the last decade, at the Whitechapel; the Holbein drawings in the Royal Collection, at the National Gallery of Scotland; Dennis Creffield's Petworth paintings, at Gillian Jason; Hamish Fulton, at Annely Juda; Graham Sutherland's early prints, at the Fine Art Society – not so bad a year at all.

Chess No 1002:
1 Kg2! Resigns. The threat is 2 h4+ Kxh4 3 Qh1+ and 4 Qh6 mate. If 1 ... h5 2 h4+ Kxh4 3 Qh1+ Kg5 4 f4+ Kxg4 5 Qh3 mate.
No 1001
Three-move game: 1 e4 e6 2 Bc4 c6 3 Bxe6 dxe6.
Four-move game: 1 e4 e6 2Bb5 Ke7 3 Bxd7 c6 4 Be8 Kxe8.

NEWS FROM *the* NEW YEAR

BOOKS

The dramatic tales of other people's lives

Biography and autobiography, political or otherwise, seem to be publishers' favourites for 1994 says J.D.F. Jones

The best thing about the British publishers' lists for the next six months, you may feel, is that the 1993 flood of political autobiography has dried up. True, Sir Geoffrey Howe, Lady Thatcher (part II) and, we suspect, Norman Lamont have been scribbling away, but they do not look like landing in the bookshops before the summer.

Addicts of Westminster will have to make do with Robert Shepherd's biography of Iain Macleod (*Hutchinson*) or even with ex-*Catholic Herald* editor Peter Stanford's life of Lord Longford (*Heinemann*) – or perhaps Clare's Kitchen by Clare Latimer will offer more than menus and recipes from Downing Street (*Bloomsbury*). Another grim option is Edwina Currie's first thriller, A Parliamentary Affair (*Hodder & Stoughton*). Enoch Powell has come up trumps – but with a new translation of St Matthew (The Evolution of the Gospel: *Yale*).

More compelling drama seems likely to come from Clive Ponting's Winston Churchill, promised to be an "at times painful and uncomfortable reassessment" (*Sinclair-Stevenson*). We are also supposed to look forward to revelations about Lord Mountbatten (Mountbatten: The True Story by Brian Hoey: *Sidgwick & Jackson*). At least we can be sure that Kenneth Harris's The Queen will be respectful (*Weidenfeld*). It may do a little to balance the memoirs of Major Ronald Ferguson (The Galloping Major: *Macmillan*) and Diana: Once Upon A Time by the Princess of Wales' childhood nanny, Mary Clarke (*Sidgwick & Jackson*).

★

As the literary pages demonstrate, the British love biographies, and they seem to have a particular penchant for the lives of writers, which can only be because people somehow think the revelaiton of the writer's life will disclose the secret of craft. These next months will bring what promise to be important books on Kipling the Poet by Peter Keating (*Secker & Warburg*), Roald Dahl by Jeremy Treglown (*Faber*), Richard Hughes by Richard Perceval Graves (*Andre Deutsch*), Charlotte Brontë by Lyndall Gordon (*Chatto & Windus*) and Christina Rossetti – on the centenary of her death – by Jan Marsh (*Jonathan Cape*). Add to these Shakespeare: A Dramatic Career by our foremost Stratford scholar, Stanley Wells (*Sinclair-Stevenson*), and The Life and Lies of Bertolt Brecht by John Fuegi (*HarperCollins*).

Then there is a batch of French 19th-century writers: Baudelaire by Joanna Richardson (*John Murray*), Stendhal by Jonathan Keates (*Sinclair-Stevenson*) and Mallarmé (A Throw of the Dice by Gordon Millan: *Secker*). The American list is even stronger: Scott Fitzgerald by that most prolific of literary biographers, Jeffrey Meyers (*Macmillan*), John Steinbeck, the authorised biography, by Jay Parini (*Heinemann*), James Baldwin by David Leeming (*Michael Joseph*) and Edith Wharton (No Gifts From Chance by Shari Benstock: *Hamish Hamilton*).

'The Wedding', one of the beautiful illustrations in a new survey of Goya's work by Janis Tomlinson to coincide with the Royal Academy exhibition next March (Phaidon £39.95)

More interesting still, there will be the first volume of the two-part John Betjeman: Letters, edited by his daughter, Candida Lycett-Green (*Methuen*) – and, most important of all, the first two volumes of the mammoth eight-part set of The Collected Letters of Robert Louis Stevenson (*Yale*), in which editors Bradford A Booth and Ernest Mehew after years of labour bring together 2800 letters, most of them unknown.

★

Away from these literary preoccupations, we have the long-promised biography The Life and Death of Peter Sellers (*Century*) in which Roger Lewis will reveal much if not all, Grace, in which Robert Lacey will try to do the same for Monaco (*Sidgwick*), a new life of Billie Holiday, Wishing on the Moon by Donald Clarke (*Viking*) and Han Suyin's no doubt reverential life of Zhou Enlai (Eldest Son: *Jonathan Cape*). Marie Curie by Susan Quinn (*Heinemann*) or a mjaor bioghraphy of the physicist Richard Feynman (The Beat of a Different Drum: *Oxford*). And at last we have the authorised biography of diva Joan Sutherland by a certain Norma Major (*Little, Brown & Co.*).

Autobiography even by non politicians is a popular pursuit, and this season Conrad Black of the Daily Telegraph will be telling how he became a press tycoon. A rather different sort of author, the novelist Penelope Lively, is writing about her 1930s childhood in Egypt (Oleander, Jacaranda: *Viking*) and J.P. Donleavy tells The History of The Ginger Man (*Viking*). *Methuen* is publishing Joan Littlewood's Autobiography and Andrew Sinclair goes back to the 1960s in In Love and Anger (*Sinclair-Stevenson*). Keith Waterhouse has a memoir about Leeds and London (City Lights: *Hodder*).

★

The history lists are led by a major new biography, Joseph Chamberlain: Entrepreneur in Politics by Peter T Marsh (*Yale*), but there is also a strong German theme: there are two books pegged to the 50th anniversary of the July Plot – An Honourable Defeat by Anton Gill (*Heinemann*) and 'Secret Germany' the story of Claus von Stauffenberg, by Michael Baigent and Richard Leigh (*Cape*). Regular Weekend FT food writer Giles MacDonogh appears in his professional-historical guise in Prussia: The Perversion of an Idea (*Sinclair-Stevenson*) and the same publisher has Behind the Battle: Intelligence in the War with Germany by ULTRA expert Ralph Bennett.

Husband-and-wife Antony Beevor and Artemis Cooper, who have separately written about Crete, Cairo and Spain, turn to Paris After The Liberation: 1944-1949 (*Hamish Hamilton*). The distinguished historian of Italy, Denis Mack-Smith, will give us his life of Mazzini (*Yale*). David Cannadine's Aspects of the Aristocracy (*Yale*) sounds like a spin-off from his successful *The Decline and Fall of the British Aristocracy*., but that may be unfair. Peter Gay delivers the third volume in his majestic study of Victorian culture, *The Bourgeois Experience* (The Cultivation of Hatred: *HarperCollins*).

Richard Pipes completes his magisterial trilogy on the Russian Revolution with Russia Under The New Regime, 1919-1924 (*Harvill*). In more rollicking mode, Peter Hopkirk carries on his sequence of books about the Great Game with On Secret Service East of Constantinople (*John Murray*). Ian Buruma describes and analyses post-war Germany and Japan in The Wages of Guilt (*Cape*). Sir Nicholas Henderson, it is suggested, has defied Foreign Office objections to publish his memoirs, Mandarin: The Diary of an Ambassador (*Weidenfeld*). Australia's ex-PM Bob Hawke's The Autobiography (*Heinemann*) claims to be frank and controversial: we will see.

There is a trio of topical Middle East books: Jericho First, Jane Corbin's story of the Palestinian-Israeli peace initiative by Norway (*Bloomsbury*), Saïd K Aburish's lid-lifting report on The House of Saud (*Bloomsbury*), and *FT* contributor Michael Field's Inside The Arab World (John Murray).

★

The travel shelves appear to be less crowded than in 1993. The London-based South African writer Dan Jacobson goes home in The Electronic Elephant, which the *Hamish Hamilton* blurb is unable to resist describing as "a personal quest". *John Murray* is publishing four more of their excellently readable Literary Companions – Spain (by FT staffer Jimmy Burns), China (by Weekend FT book reviewer Anthony Grayling and Susan Whitfield), Greece by Martin Garrett and Ireland by poet Patrick Kavanagh.

It is not clear whether former City Editor and banker William M Clarke's In Search of the Tsar's Lost Fortune (*Weidenfeld*) is a travel book or a "business" book. Firmly on the business pages will be John Banham's The Anatomy of Change: Blueprint for a Thriving Britain (*Weidenfeld*), Charles Handy's latest, The Empty Raincoat: Making Sense of the Future (*Hutchinson*), and Robert Heller's The Fate of IBM (*Little, John*). Then there's Tim Jackson's biography of The Virgin King (*HarperCollins*) about – who else?

Finally, one of the important books of the year, with a social and political as well as a business dimension, is likely to be The City of London: A World of its Own, 1815-1890, the first of a three-volume major history by David Kynaston, previously historian of Cazenove and of the FT.

★

That leaves the fiction lists. The spring is looking promising even though not many of the really big guns are going to be in action. V.S. Naipaul returns with A Way in the World (*Heinemann*)), which is mysteriously (alarmingly?) described as "unconfined by the conventional narrative form, but in a classic story-telling tradition". J.M. Coetzee stays clear of his native South Africa with The Master of Petersburg, set in 1869 Russia (*Secker & Warburg*). John Updike's Brazil is described as "erotic joy and criminal mischief, politics and sorcery"(*Hamish Hamilton*). William Gaddis, recently elevated as a "Penguin Twentieth-Century Classic" , has at last produced his fourth novel, A Frolic of his Own (*Viking*).

Then there are the regulars: Anita Brookner (A Private View: Cape); Alison Lurie (Women and Ghosts: Heinemann); Edna O'Brien (House of Splendid Isolation: *Weidenfeld*); Nicholas Baker (The Fermata: *Chatto*); Carlos Fuentes (The Orange Tree: Andre Deutsch); Alan Massie (King David: *Hodder*). David Caute returns with Dr Orwell and Mr Blair (*Weidenfeld*).

More interesting, the promising members of the younger generation are much in evidence: Alan Hollinghurst (The Folding Star: *Chatto*); James Hamilton-Paterson (Ghosts of Manila: *Cape*); James Kelman (How Late It Was, How Late: *Secker*); Candia McWilliam (Debatable Land *Bloomsbury*); Lindsay Clarke (Alice's Masque: *Cape*); Charles Palliser (Betrayals: *Cape*). Not to speak of Stephen Fry's second novel, The Hippopotamus (*Hutchinson*), which will probably do as well as all of them put together.

But the gifted Mr Fry will not be outselling the new – the fifth – John Grisham legal thriller, which *Century* have not yet got round to titling. Nor will he beat Slow Waltz in Cedar Bend by Robert James Waller (*Heinemann*), which, already in some bookshops, is even mushier – sorry, more moving – than the fortunate Mr Waller's recent runaway success, *The Bridges of Madison County*. You have been warned.

History seen with a glass of old port

It is natural to approach this collection of Alan Taylor's reviews, radio broadcasts and short essays with a light heart. For Taylor believed that history was fun to write and read and that the function of the historian was not just to instruct but to provoke and entertain. He admired the great stylists of the past, Gibbon, Macaulay and Carlyle, and was impatient with the poorly written book, however accurate. Chris Wrigley's selection brings delights and disappointments.

There are only two of the longer essays to remind readers of Taylor's crystal-clear presentation of complex events, brilliantly linked with an eye to the emotable example. Few other modern historians could move with such confidence, as in "The Last of Old Europe", from the business of high politics, wars and revolutions to the effects of sewing machines, bicycles and contraception on the position of women in the space of some 25 pages.

Too many book reviews are included, most surprisingly gentle. Only occasionally, for one who had a sharp eye for detail, would he cross swords with the writer on grounds of accuracy. More often there would be a personal letter to the offending author pointing to an incorrect name or place.

It is not usually the author who interested him, but the subject of the book. Reviews and talks provided the occasion for writing about the people of the past who fascinated, impressed or perplexed him. They allowed Taylor to show off his own personal gallery of heroes, Charles James Fox, William Cobbett, John Bright, the "trouble makers", who were the subjects of Taylor's own favourite book and with whose dissenting views he identified.

There were also villains, that "dedicated historian" Leopold von Ranke, castigated for his worship of the state that nourished the roots of Nazism. Taylor returned repeatedly to the great men of European history, above all Bismarck, always finding something new to say as he grappled with the enigma of personality and policy. It is hard to think of any reviewer today who writes with Taylor's verve or certainty of judgment.

Why the sense of disappointment? The reviews were often hastily written and over-emphatic. Though Taylor has style, he was not really a great stylist and few of the essays have improved with time. Radio talks, fondly remembered, do not translate well into print. Taylor was the master of the lecture hall, the radio and the television. His seemingly spontaneous and brilliantly controlled lectures packed the Oxford schools at nine in the morning. The same gifts, without resort to script of visual aids, won him a mass audience. When read, the impact of personality is lost and the thinness of the argument sometimes revealed. More unexpectedly, some of the essays seem strangely dated. The tone and concerns are of a different time and Taylor, himself, a figure of an earlier generation.

It is here that Robert Cole's study of Taylor's major writings is both useful and perceptive. Admittedly this book offends against Taylor's first rule, for the recapitulation of the contents of old volumes is boring – something that can hardly be said of the originals. Nor would Taylor have liked the welcome attention paid to his non-conformist roots and anti-establishment position, the emphasis on the paradoxical nature of his writing and professional career.

Taylor did not think he was a complicated figure. He loved writing history and was a political activist. He enjoyed being the enfant terrible of the historical profession and loved to exaggerate is so-called exclusion from the Academy.

He found to his pleasure that he could communicate with a wide audience. It brought rich rewards even in Germany. What Cole makes clear is the degree to which Taylor's historical writings reflected his political interests and readings of contemporary events. He was a man of th e 1939-45 war and the "cold war". Much of his writing deals with the German problem and was the source of his deep-seated belief that there were no "good Germans", only Germans. The disgruntled critic of the cold war and the campaigner against nuclear arms had no confidence in the Americans or the Russians. If his distrust of the Americans ran deeper than his fear of the Russians, it was because he believed that Anglo-Russian co-operation was the only protection against Great Germany. Against all systems of any kind, Taylor was "a little Englander" convinced that Britain should retain her independence and free hand.

FROM NAPOLEON TO THE SECOND INTERNATIONAL: ESSAYS ON 19TH CENTURY EUROPE
by A.J.P. Taylor
Hamish Hamilton £25, 426 pages

THE TRAITOR WITHIN THE GATES
by Robert Cole
Macmillan, 285 pages

Even his best, though not his most popular or influential book, *The Struggle for the Mastery of Europe* (1957), fused scholarly explanation with political argument. Based on a wide reading in the diplomatic sources which still makes it an outstanding piece of scholarship, the book was intended to educate both sides in the cold war. Already Taylor was moving into his dissenter and trouble-making mode. He was denouncing academic supporters of the cold war, addressing anti-Suez rallies and marching with the CND. He claimed to have spoken in more halls than John Bright did when opposing the Crimean War. There was always in Taylor's activities and writings a certain "imp of the perverse" that made him a delightful sparring partner but which was as maddening to some of his admirers as to his detractors.

It was Taylor's undisguised delight in rocking the boat and challenging the prevailing winds whether in politics or history that accounts for the vehemence of the attack on his *The Origins of the Second World War*. Cole shows how much historians were shocked by its amoralism and the emphasis on the accidental and unpredictable rather than on Hitler's responsibility for the war. This was unacceptable to academics of a generation who had fought against Hitler, particularly those engaged in the cold war against Stalinist Russia. Students today hardly understand what the furore was about.

Some aspects of the Taylor thesis appear perverse or are seen as wrong, but new readers are not troubled by Taylor's moral relativism. Similarly, though *English History, 1918-1945*, can still be read with pleasure for Taylor is a master story teller, the populist theme and the triumphant ending with the British people, freed from the burdens of empire, poised to enter into their true inheritance strikes a false note in the world of 1993. In a very different and a greyer age, Taylor efforts to provoke have lost some of their resonance as have the political battles he so stridently fought. This may be what Chris Wrigley means when he suggests that for older readers his selections of Taylor's writings have the quality of a glass of old port after an excellent meal. This would not have been the comparison Taylor would have wanted.

Zara Steiner

Voyage round Morley

We are lucky to have Sheridan Morley's voyage round his father before any other. It gives an uncritical account of his life, with intimate anecdotes that might not be widely known, and a positive anthology of witticisms.

Unapologetic in its filial loyalty, it records his dramatic activities ranging from the Stokes *Oscar Wilde* to TV commercials. Never a star of the Gielgud-Olivier type – and never ambitious to be – the quality in all his work is likeableness, though as one critic said, his parts "all end up looking and sounding uncommonly like Mr Morley himself". Alan Ayckbourn wrote when Morley was in his *How the Other Half Loves*, he "is an actor who rapidly gets very bored and ... treats theatres as one huge game organised by himself."

ROBERT, MY FATHER
by Sheridan Morley
Weidenfeld & Nicolson £16.99, 240 pages

Morley was the only son of an eccentric retired cavalry major. Trained at RADA (where he "never really learned how to act") he made his inconspicuous debut in Russell Thorndike's *Doctor Syn*. He then wrote a comedy, *Short Story*, which was miraculously accepted for production by Dame Marie Tempest and from then on, writing was as obsessive with him as acting.

Characteristically, Sheridan was named, not after the playwright, but after the character Morley was playing at the time. Challenged in the Garrick bar, Morley said that having a theatre critic for a son was "like serving in the Israeli army and waking up to find your son was an Arab". He has been a friendly Arab here.

B.A. Young

Naked truth about whisky

Once a firewater distilled in remote Scottish and Irish glens, whisky is now one of the top five UK exports. It is also a drink whose image has been carefuly nurtured with the help of such words as "old", "de luxe" etc; a "craft" item rather than a "factory" product – a drink that demands "connoisseurship" of its imbibers if it is to be enjoyed to the full.

In fact, the vulgarities have been refined away to such an extent that one of the principal purposes of drinking it – to get drunk, – has almost been lost to view. It is good therefore to be reminded of other, earthier ways of appraising its qualities – such as that old Gaelic toast, "You are the prowler of the night to the beds of virgins. Oh God, what powers you have to gain kindnesses from girls."

The different vocabularies of drinking in the UK and the US are interesting. In Scotland, measures of whisky are the dram, the nip, the tot, all of which suggest something cosy, fraternal and unthreatening. In the US it is the belt, the blast, the slug – aggressive, macho words which suggest that a man walks tallest at the very moment when he is beginning to buckle at the knees.

According to *Whisky* by Gavin D. Smith (Carcanet, £14.95), a marvellous new book which examines the rich, peaty and extensive vocabulary of whisky and its distillation, the secret of whisky-making was brought to Ireland from the Middle East in about the 6th century AD. For centuries, however, it remained a cottage industry. The first commercial blended whisky, Ushers OVG (Old Vatted Glenlivet) was launched in Edinburgh in 1853, and it was the blended whiskies that made the fortunes of Buchanan, Dewar, Walker and other legendary names that have now been absorbed into United Distilleries. Sales boomed because of the *Phylloxera* epidemic that virtually destroyed the French brandy industry in the second half of the 19th century. Whisky stepped in to slake the thirst of brandy drinkers.

Whisky has caused some trouble in its time – the great American Whisky Rebellion of 1794, for example. The distillers up in furious protest against the first tax ever imposed upon spirits in North America. Excisemen were assaulted in the streets; there was a march on Pittsburgh. That Virginian distiller General George Washington marshalled a force of 13,000 troops to put the rebellion down.

Down the centuries the distillers have always played a cat-and-mouse game with the exciseman. After the Act of Union in 1707, the avoidance of excise duties became a point of honour to the Scots, and illegal stills sprang up in the most ingenious of places – one Scottish still was set up in a cave behind a waterfall, so that the smoke rising from it would be mistaken for spray by the untutored eye.

WHISKY
by Gavin D. Smith
Carcanet £14.95

If the success of blended whiskies in the mid 19th century helped to establish whisky's popularity once and for all, it has been the growth in the production of single malts in recent years that has raised whisky's profile as a drink fit for connoisseurs. The sale of malt whiskies represents only a tiny proportion of total whisky sales; but the profit on the sale of a bottle of Glenlivet – the best-selling single malt whisky in the US – is correspondingly greater because it is taxed at the same rate as the cheaper bottles.

But for those who are not yet connoisseurs of malts – or even guzzlers of blended supermarket whiskies – a problem of etiquette remains: how exactly do you ask for a Scotch when in Scotland? Certainly not by asking for "a Scotch". No, ask rather for "a whisky". "Not a *single* whisky" though. A "single whisky" is *not one* measure of whisky, but a whisky made in only one distillery, and not blended with any from elsewhere. And if you want a single malt, do not on any account ask for "a single malt". Not to specify which particular single malt would be taken for a signal of woeful ignorance.

And do not be crass enough to request anything other than water with the whisky. As the old adage runs, "There are only two things a Scotsman likes naked, and one of them is whisky."

Michael Glover

NEWS FROM *the* NEW YEAR

PROPERTY / GARDENING

Prices start the long climb back

But don't expect anything more than a gentle recovery from recession, says ***Gerald Cadogan***

With not a property bear in sight in 1994, happy days are here again. Or such is the gospel according to every Knight, Savill, Strutt and Wood. But is it believable? Will prices really rise by 19 per cent across the country and 25 per cent in the best parts of London as Yolande Barnes, head of Savills' residential research, prophesied before Christmas?

Certainly, gloom and bust vanished last year. The property scene turned from late autumn 1992, when foreign buyers set the central London market rolling. Spotting prices way below the peaks of 1988-89, plus a low pound, political stability and a country that looked to be the first in the EU to be coming out of recession, they bought houses and flats galore. In no time, agents were claiming they did not have enough to sell.

Last year was an odd one, partly because buying carried on into the winter but did not then follow the usual pattern of trading peaks in spring and autumn. January and February were surprisingly good, says Trevor Abrahamson of Glentree Estates, which sells in the prime parts of the north-west London suburbs. So was August. In between, fears about the March budget stifled the winter improvement and stopped potential vendors from selling.

Then, the government seemed to lose its grip – another blow to vendors' confidence. Not surprisingly, June was poor. And it all happened again in the autumn. While the market during summer showed continuing signs of recovery, the second Budget in November became a convenient excuse for putting off any decision about selling until the spring. At least there is no looming Budget to upset confidence this year – but the tax increases and VAT on household energy could prove a problem.

Another twist to 1993 was the high number of repossessions caused by the recession, along with houses which stayed on the market. These were sold eventually, often at auctions – which became a regular way of selling batches of properties.

By the end of the year, prices had stabilised on average around the country, and risen in London (7 per cent according to Abrahamson). Bold vendors had a good chance of getting their asking prices if these were reasonable. But ask too much and buyers shy away, however much money they have.

For some good, highly desirable houses, the asking price has come down. Eilean Aigas, the island domain in the Beauly river in Scotland, is now £600,000 (down from £800,000); and Kingsmead in north Wiltshire, which has a topiary tree house in the garden, is £950,000 (originally, £1.2m).

All the same, there is still a large imbalance between demand and supply. That is the key to 1994, and justifies the bulls' forecasts of higher prices. Take two Surrey houses, priced at £250,000 and £850,000, which had failed to sell for four years. Their owners were then offered the full amounts – but have withdrawn them from the market to wait for a better price this year.

Surrey, which led the market into recession, seems now to be pulling it out again – no wonder Barnes' forecast is so cheery. But Yorkshire is sceptical. Tim Blenkin of Blenkin & Co., Knight Frank & Rutley's associate in York, "verges on the positive side of neutral." He points out that Yorkshire thrift meant prices there fell less than elsewhere during the recession because local people did not have to sell to raise cash. Likewise, they will rise less.

I see a general picture of moderate cheer. Of course, conditions are excellent. It is 15 years since houses have been so affordable, especially for first-time buyers who can obtain attractive packages. Mortgage interest rates and inflation are low and – much more important – look set to stay so. A fixed-rate mortgage gives certainty in financial planning for five years at a time. And, with unemployment down, job security looks less chancy.

Memories are strong, though. If Christmas sales were not what retailers had expected, buyers will not be stampeded into paying over the odds for homes, either. The prices paid in 1988-89 are still on the far horizon, but they will occur in 1994 as isolated peaks.

Large end-of-year bonuses have given City workers the power to bid aggressively. That will create a pull from the top which "could start a bush fire," according to Tommy de Mallet Morgan of Savills' Guildford office. (London taxi drivers would agree. Their business, always one of the first things to suffer in bad times, has picked up).

This competition will raise prices and make more vendors eager to sell, buy elsewhere and commission builders (if they need them) before they put up their prices – as they are bound to do now they are getting more jobs.

If we are out of the valley and on the up, with the prospect of some real increases in value, I still expect wide variations across the country. Those who have waited can probably ask now that bit more: £275,000, say, rather than £250,000. (Abrahamson expects a general rise of 10 per cent). If the money goes on a move to Wales from Surrey, that buys a considerable house.

It will not be a boom and it will not be a bust. In most of the country, the rise will be a gentle ascent. Supply will give way to demand; it must. But not overnight.

Profits replace purges as demand explodes

John Lloyd reports on the booming housing market in Moscow

The most famed block of flats in Moscow is a vast grey block across the river from the Kremlin. Known as the Government House, or the House on the Embankment (the latter after the novel by Trifonov), it was built for ministers and high government officials in the 1930s.

The flats are large, airy, high and light. They were at once the summit of Soviet achievement and among the most dangerous of living quarters: when the Communist party purges started in the 1930s, the NKVD cars would, early in the morning, slip quietly into the courtyards to collect this or that senior comrade for a journey from which he did not return.

No more of that today. The stairways echo now to the self-confident conversation of expatriates speaking in English, German, French and Japanese. Many of the flats have been renovated, the wood polished, the imported Scandinavian and Italian furniture placed to best advantage.

For $3,000 a month up, you can look out on the Kremlin at night and thrill to the vicarious fantasy that the black Volga idling on the street below waits for you. But the mad scramble for profit in the Moscow housing market has replaced the NKVD as the main disturber of the peace in this and other élite blocks.

Most people in Moscow pay very small rents to their local municipality for their flats: a rent of $5 a month is high. Those who can move in with parents/children and rent their flat to foreigners for $300-plus a month thus make huge gains, and many do. But when the parents/children get fed up, the landlord usually tries to eject the tenant. The only recourse the tenant has (if he is savvy) is to threaten to enquire of the Inland Revenue whether the landlord is declaring his income. The dispute usually ends in violence, or the threat of it.

This, though, is the low end of the market. The higher end is big money. Already, says one UK lawyer who specialises in Russian property work, élite districts are emerging in a Moscow which was officially (and, in part, actually) monochromatic as to class and income differentials.

"Patriarch's Pond [near the centre] is coming up nicely," he says, "and the Lenin Hills area [where the town houses of the party bosses were]. Also the Stalin Buildings [vast, neo-Gothic fantasy blocs of which two were apartment complexes] at Vosstaniya and Taganka are much sought after."

For foreigners who want to live the suburban life, purpose-built estates are now available: "communities" constructed outside the Moscow outer ring road which, typically, are well-protected against increasingly self-confident criminals and have their own services and shops. Rossinka, one of the first, was pounced upon by American companies but later ones are more mixed, while the newest are largely for the emerging Russian rich.

This new class – conspicuous in its top-of-the-range foreign cars with personal guards and luxurious clothes – constitutes a small but significant section of the population. However it gets its money, it wants to spend it rapidly. The houses – or *kottedzhi*, after English cottages – it buys on new estates, like the Moscow Country Club or Istrinskoye, are at least $180,000 and can be three times as much.

The old ruling class had *dachas*, usually of wood, on secluded estates round Moscow. The first wave of the new rich, and the first foreign *dachniks*, took over many of these as the former tenants were ejected or retreated to their Moscow flats. Now, those in the new wave want to make a break with the decorous and languid routine of long *dacha* weekends: their brick houses are for their families, out of the Moscow danger and dirt. The two-car garages are for the Mercedes and the Jeep Cherokees; the smaller house at the foot of the garden holds the driver, cook and maid.

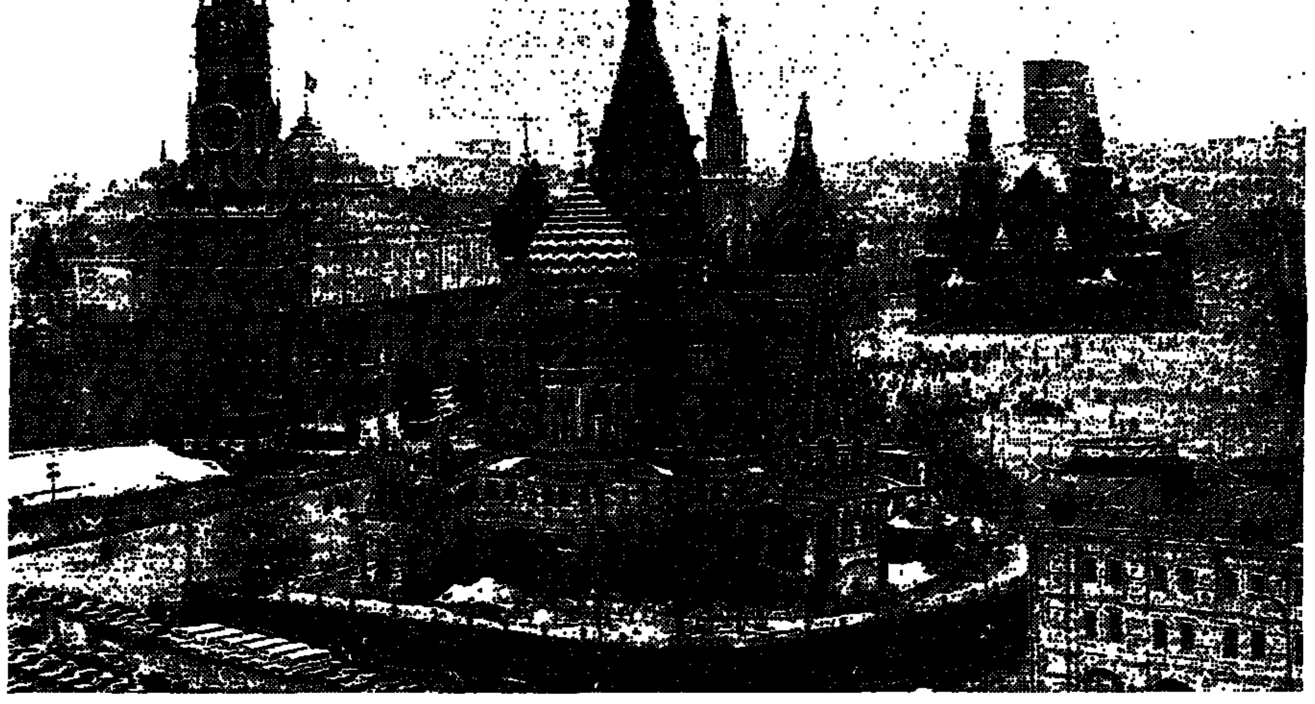
Like other foreigners in Moscow, I rent a *dacha* about an hour from Moscow. It stands on an Academy of Sciences estate which once was reserved for physicists. An academy deputy-president, Konstantin Frolov, who led the wholly unsuccessful Dignity and Charity Party in the recent election campaign, has the *dacha* next door, with brick walls and a drive.

For a reasonable sum (no one talks about rents), I have a six-room, two-storey wooden house in about two acres of ground, mainly wooded, sloping down to the Moscow river. It has fierce gas central heating, erratic light and (a great comfort this, distinguishing the élite from the proletarian *dacha*) an indoor flushing toilet.

The landlady is the wife and daughter of an academic: she inherited "my" *dacha* from her late father, while using that of her present husband. She and he, in late middle age, are not creatures of another age; they are fascinating and sympathetic people. But they are, typically and uncomfortably, poised between regarding what they are doing – renting a house – as distasteful and trying to get as much as possible for it.

Moscow property is in the same no-man's land as all of Russia. The rawest free market principles, backed by obvious and always-present threats, prevail in the midst of a ruined socialism. Activity is intense; on my estate, with some 40 original wooden *dachas*, there are half as many again of new brick ones being thrown up. The remaining academics, like Frolov, hate it. What have these new owners done to deserve a dwelling which took them years of scientific endeavour?

Merely made money. But there it is.



Tony Andrews

Rooms with a view . . . a flat looking out towards St Basil's cathedral, in Red Square, could be yours – at a price

Traditional edge to the Sloane-Walleys' year

Robin Lane Fox *looks in on the festive season at the Old Rectory*

Down in Sussex Old Rectory, Julian and Veronica Sloane-Walley have spent a wet and windy week recovering from their annual bout of competitive present giving. They are veterans by now of seven years' country living since the move from Onslow Gardens in Chelsea at an unwise point in the property market in 1986. By tradition, each competes with the other for the least expected present which will be Truly Useful in the coming year.

Julian fortunately had resisted the temptations of the main window of Peter Jones, the up-market department store in London's Sloane Square. It was not so much the sight of Her Ladyship's Kitchen Garden (which appeared to amount to a packet of parsley seeds, a plastic top and a nostalgic box for £2.99) as the Natural Herbal Revitaliser at £1.95. It was advertised for the Weary Gardener who is Behind with the Weeding, Crooked with the Edges, Late with Pruning and has Grass in the Path . . .

Maturity has not always brought marital harmony to the Sloane-Walleys' gardening and there are times when Julian wishes Veronica was not so damnably green. Apart from three proper meals a day, he insists on little in life except exemption from equestrian duties, properly clipped edges to the lawn and weed-free paths. He often thinks Veronica is being deliberately awkward when she refuses to use weed killers "in the country."

This year, he believes he has finally outwitted the yearly problem of the Old Rectory path. While visiting his bank in Mayfair, Julian happened to notice London's most familiar plant: the drills, compressor and lorry of the capital's leading Irish engineer, whose workmen were hacking up the pavement when not in a tabloid-and-Thermos mode.

A quick dialogue through the window of the Volvo established that the old paving slabs were going nowhere in particular and, despite their weight, could make the short journey into the Sloane-Walley boot at a mere £1 apiece. Mayfair is not Onslow Gardens, but Julian has now ferried 28 priceless old paving stones in three separate runs and stored them in the lower garage at the Old Rectory while managing to persuade Veronica that he has to commute by car, not train, at this time of year because British Rail is being disrupted by gales and the hazard of twigs on the track. With Network SouthEast, alibis are easy.

The paving will make an excellent path and stand as a personal coup: Julian's recognition of Veronica's nostalgia for the London pavements, a nostalgia increased by seven years with the children's pony in an over-brokered corner of Sussex. At least she can now walk out on a carpet of old Mayfair, if not Chelsea. And when the slabs are pointed properly, there will be no need to argue about spraying and applying weed-killer while Veronica is out shopping at the local freezer centre.

Freezer shopping, in fact, has taken a different role in the Sloane-Walley year. In January, Veronica became fed up with all the talk of recession and deided to earn her keep by fee-paying demonstrations. (Julian did annoy her by asking if they were to be demonstrations of pony management by a former Londoner, as neither of them is proud of the fact that the old family pony, Peter Jones, has suffered twice from mud fever since the rain started again this summer).

Veronica had set her sights on cooking, in the belief that country dinner parties are now dominated by exactly the same recipes from the book by Raymond Blanc. Since its launch this spring, Onslow Entrées has been a roaring success. Half the housewives in Sussex turn out to be as fed up during commuting hours as she is, and the sessions have developed a pleasantly therapeutic give-and-take. Veronica takes the fees and many of the clients give their best recipes – which she can then re-cycle to customers on the next week's course.

In July, she suffered the fate of every small business nowadays which starts to sprout green shoots: an uninvited visit from the health and safety inspector. The kitchen passed muster, largely because she had sent Harvey and Nichols, her pair of Jack Russell terriers, away to her mother for the week before inspection. The problem was the plumbing.

Julian had been adamant that he did not want a mass invasion of his home's WC by fee-paying customers, and insisted they must use the outdoor lavatory adjoining the tool shed, a stone's throw from the kitchen door. But under Section 391A of the Health and Safety (Bottomley) Act of 1990, it is not permissible for commercial premises to offer toilet facilities in a detached or separated building unless that building is connected to the point of office egress by an approved shelter.

Veronica tried to butter up the inspector, but he only became more truculent when she gave him a quick sketch of a possible wooden pergola on the back of an Onslow menu. Then he struck a mortal blow by asking if the rectory was a listed building.

In a fit of domestic exhibitionism, Julian had recently drawn the arguable merits of its late-Victorian facade to the local conservation officer, and had succeeded in having it listed grade II on the ground that this would enhance its market value. This meant that Veronica's plan would have to go before the local council's planning committee before HM Inspector could clear it for health.

In August, the committee rejected the pergola on the grounds that it would be standing in a listed context and, in keeping with Sussex period vernacular, the connecting passage would have to be tile-hung. Veronica has already written to John Major about idiotic legislation and the urgent need for his party to prune most of the undergrowth it has have introduced.

She did, however, wear her other hat and point out to the planners that the Old Rectory garden had undergone extensive landscaping without any mention of "period vernacular." Since she now opened it on a Gardening Sunday, she regarded herself as fully entitled to build a pergola, not a tile-hung extension, in order to meet the objections to her unobjectionable loo. The planning committee was predictably weary, but called for a planting scheme before it could consider a decision.

In October, Veronica sketched in her suggestions. Old Sloane-Walley favourites like rose Danse du Feu joined newcomers like the yellow-leaved choisya Sundance and a backbone of pyracantha Golden Cheer for evergreen colour in winter. She added "VSW Fecit" to her artist's impression and sent it off, expecting to be able to give Julian the unexpected present of planning approval on Christmas day.

Five days after Christmas, she received a buff envelope. The environmental health department was satisfied, with the proviso that the pyracantha was a berry-bearing shrub and must be certified as non-poisonous; but the chairman of the planning committee had the cheek to write that he himself was a keen gardener; that he had kept abreast of the art for years by reading the *Weekend FT*; and that every one of her proposals was unsuitable – vulgar, to be frank – in a grade II setting.

Veronica wrote at once to the Royal Horticultural Society's garden at Wisley, Surrey – where she first saw the plants – and asked for a letter supporting her choices. In her annoyance, she also saw the chance for a New Year present which Julian probably wanted most and expected least.

For years, she had banned Julian from having the *FT* on a Saturday because, she said, it belonged in the office, not the home. She has changed tack, wanting ammunition against the planners; as from today, she has cancelled the *Telegraph* and given Julian a year's subscription to the paper he has wanted for years.

She, meanwhile, will take the chance to discover how on earth, in this day and age, a Sussex planning committee can dare to tell a Sloane-Walley they are not being horticulturally correct.

NEWS FROM *the* NEW YEAR

FINANCE AND THE FAMILY

An upbeat outlook for private investors

***Philip Coggan** finds that leading fund managers see declining interest rates and increasing economic growth as the keys for 1994*

Will 1994 be a good year for private investors? The *Weekend FT* asked four leading fund managers for their views on prospects for the major stock markets – the UK, US, Japan and Europe. All were fairly optimistic, with the main themes being declining interest rates and an increased pace of economic growth.

■ MICHAEL HART, of Foreign & Colonial

"I am hopeful that the major markets can again make progress in 1994, even after the good rises of 1993. The big question for investors at present is to what extent declining interest rates in Germany will be offset by higher interest rates in the US. The depressed state of the German economy means that interest rates there have further to fall.

"Recently, the US economy has been recovering strongly. If this were to continue, higher rates would be inevitable – and markets are already discounting a 1 per cent increase. However, there are good reasons to believe that US economic growth could moderate soon. Higher taxes are in the pipeline and consumer savings are low, while debt is high. These factors, coupled with a low inflation outlook, may stop interest rates rising much further.

"It is possible that with a favourable interest rate background and improving profits, and dividend prospects based on rationalisation and lower financing costs, the FT-SE 100 index could climb further despite present high valuations.

"For Wall Street, I am concerned that the market has been rising without a 10 per cent setback for the longest period in its history. Inevitably, some bolt from the blue will upset the applecart, if only temporarily. But low interest rates, low inflation and rising profits could see the Dow 5 per cent above present levels at 3,900 by the end of 1994.

"Although share price valuations are high, falling interest rates, good prospects of profits' recovery and the greater enthusiasm of local investors for equities could take the major European markets higher – possibly 15 per cent above present levels.

"At present, confidence is completely lacking in Japan and the market is low – it could be a good time to buy... Japan may be one of the better markets in 1994, with a possible gain of at least 20 per cent.

"In the emerging markets, Mexico and India are probably the best bets, with gains in excess of anything achieveable in the major markets."

■ TIM THOMAS, of Guinness Flight

"In 1992 and 1993, it was easy to advise what to do with spare cash. Take it out of the building society and put it into any financial asset - bonds or equities - in the UK or overseas. But does that advice still hold true as we enter 1994?

"In my opinion, as regards main-line markets, the answer is yes. But it is possible that markets will reach levels this year which would make them vulnerable to significant setbacks (more like the fall of October 1989 than the crash of 1987). Markets are high but interest rates are low; and with the exception of the US, where we expect rates to start to rise in the first quarter of 1994, are likely to go lower on a worldwide basis. This will keep equity and non-US bond markets rising as investors shift portfolios away from cash.

"Following the sharp rise since the Budget, the UK equity market should put in a steadier performance in 1994, possibly reaching 3,750 on the FT-SE 100, while interest rates fall to 5 per cent. Europe, where the economies have not yet started recovering, should rise 15-20 per cent over the year, with Italy possibly being the best performer.

"Japan should see some hopeful economic signs and this could lift the market substantially; but the currency should slip against the US dollar, although it will enjoy a small rise versus sterling. The Far Eastern markets are likely to continue to attract money as the 'hot' growth area of the world and price/earnings multiples may expand several points, providing 25 per cent-plus returns in local currency and more in sterling terms.

"The US market, with the economy strong and rates starting to rise, may be a relatively poor performer (offering returns of, say, 10 per cent) but should benefit from a resurgent dollar, which could reach \$1.25/£. So, 1994 should be another good year for investors; but, by 1995, the easy money will have been made."

■ DAVID ROSIER, of Mercury Asset Management

"In 1994, we believe that, for the fourth year in a row, there will be modest overall world economic growth. We expect inflation to remain low and, consequently, believe there is more scope for falls in interest rates. We, therefore, expect further progress in both equity and bond markets. Nevertheless, there will be periodic worries that either growth will abort or that inflationary pressures are emerging. Volatile stock markets are likely.

"There remains further upside in the UK stock market. In the context of moderate but sustained economic growth and low inflation, the market is attractively valued relative to continental Europe.

"Clearly, the forecast of a lower than anticipated public sector borrowing requirement in the recent Budget benefited gilts. With gilt yields declining, the attraction of equities also increased. However, after its recent progress, it is likely that the UK market will consolidate in the short term until further evidence emerges of a recovery in corporate earnings.

"We would recommend an under-weighting in the United States, where the market will no longer be assisted by interest rate falls. Indeed, interest rates there may edge upwards as the Federal Reserve Board seeks to control the rate of US economic growth, so allowing the dollar to strengthen.

"In Japan, it is probable that corporate profits will show little recovery in 1994, even before major corporate restructuring. We believe the authorities there may not respond sufficiently quickly to avert a further deterioration in the economy. In this situation, yen bonds remain a preferred asset class and there could be some delay in the anticipated weakness of the yen.

"Continental European markets should benefit from further interest rate declines. However, valuations are high and there is scope for disappointment with both economic growth and corporate earnings.

"Finally, we believe that the outstanding growth prospects assisted over the medium term by the recent Gatt agreement will continue to justify investment in the Pacific basin and emerging markets areas. Evidence suggests that investors will want to increase their exposure to them, providing further support."

■ COLIN McLEAN, of Scottish Value Management

"I think 1994 will confound the pessimists, since growth in the global economy is accelerating and there is little sign of inflationary pressures. Most of the surprises should be favourable – with Japan eventually responding to a massive economic stimulus, and interest rates continuing to fall in continental Europe. The weak oil price gives a further boost to global growth prospects, while underlining the deflationary pressures.

"Lax US monetary policy is feeding dollars into financial assets rather than the real economy. This has been the right policy to pull the US out of recession, but it has also boosted other dollar-based markets, such as south east Asia.

"Even so, liquidity-driven stock markets are not yet a recipe for a repeat of 1987. Indeed, one of 1994's surprises could be that US growth will pick up further – but without the inflationary signals that would require the Fed to tighten. In this environment, US share valuations do not yet seem over-stretched.

"The search for growth should see investors continuing to pile into Far Eastern markets. Not only should the tiger economies perform well, but Japan also has the potential for a rebound.

"It took some time to kick-start the US economy, and so Japan's sluggishness is not surprising. Japan's restructuring will be a long haul, but the present level of the Nikkei under-values the economy's inherent strengths and the likely turnaround in the coming year.

"With unemployment still the major issue in Europe, further interest rate cuts are likely. This prospect should underpin most European markets, such as Germany and Italy. And US money will flow into Europe – attracted by privatisations and the region's potential as a late cycle investment.

"I also believe that UK shares will have a good year, although many more profits warnings will be needed to bridge the gap between the overall outlook of slow growth and optimistic company forecasts.

"The risks are in sectors that seem bargains – such as food retailing – where profits estimates are still too optimistic. 1994 could remind us what an earnings-driven market is like. After easy gains from widespread re-ratings, investment performance is now likely to be driven by earnings surprise."

NEWS FROM *the* NEW YEAR

FINANCE AND THE FAMILY

CHESS

Since Gary Kasparov became the first chess multi-millionaire, hundreds of ex-Soviet chess players have flocked to tournaments in western Europe with golden dreams. Paradoxically, the player most likely to succeed, and who Kasparov himself has named his heir apparent, has renounced the champion's executive lifestyle and market philosophy.

Vladimir Kramnik, 18 and world No 5, told a reporter: "I want to concentrate on chess, not financial speculation".

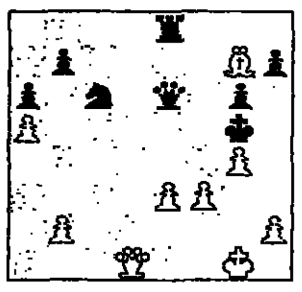
Kramnik has just finished in the top seven in the PCA world championship qualifier at Groningen. He will play in the PCA candidates' matches next year. If he defeats Leonid Yudashin of Israel in their FIDE candidates' match next month, he will be on course for a double title challenge to Kasparov and Anatoly Karpov.

Here Kramnik demonstrates a newly fashionable opening idea (V Kramnik, White; J Horvath, Black; Austrian League 1993).

1 d4 Nf6 2 c4 g6 3 Nc3 5d 4 cxd5 Nxd5 5 e4 Nxc3 6 bxc3 Bg7 7 Bb5+!? c6 Bd7 8 Be2 c5, followed by Bc6 and f5 to undermine White's centre, may be a better plan. 8 Ba4 b5 9Bb3 Now c5?? fails to 10 Bd5, b4 10 Qf3! O-O 11 Ne2 bxc3 12 Qxc3. 12 h4!? c5 13 h5, playing for mate, is also interesting. Bb7 13 Bg5 Nd7? Black should play a5. Qb4! White liquidates to a won endgame. Ba6 15 Bxe7 c5 16 Bxd8 cxb4 17 Bg5 Nc5 18 Bd5 Rac8 19 Be3 Ne6 20 Rd1 Rc2 21 Rd2 Rfc8 If Rxd2 22 Kxd2 Bxe2 23 Bxe6! is also lost for Black. 22 e5 Rxd2 23 Kxd2 Nxd4 24 Nxd4 Rd8 25 Be4 Bxe5 26 Bd3! Resigns.

No 1002

R Fine v G Shainswit, US championship 1944. White (to



play) sacrificed a rook for attack. How can he win?

Solution Page XI

Leonard Barden

M&G's fee surprise

M&G is eliminating the 4.5 per cent initial charge on its Managed Income fund personal equity plan and will introduce "back end" charges instead. It is leaving its 1.5 per cent annual fee unchanged.

Peps allow investors to shelter up to £6,000 in a general plan during a tax year and a further £3,000 in a single company plan, free of income and capital gains tax. The tax benefits of a Pep have to be weighed against the charges which plan managers levy. Since M&G is the largest Pep provider, the move is bound to heat up an already competitive market.

Explaining the reasons for removing the initial charge, marketing director Peter Emms said: "We believe that as well as providing good value, this move will make the Managed Income Pep a more straightforward investment and, thereby, provide an added attraction to people who have never invested in a Pep."

Those who are used to deposit-based investments can be put off when they see that their initial investment of, say, £1,000, would fall to £955 as soon as they made the Pep investment. M&G is hoping to make the Pep more attractive by investing the full £1,000 and imposing early withdrawal fees instead.

These are common in the US and were introduced for the first time on a UK Pep by Fidelity 18 months ago. Since equities are a long-term investment, back-end charges are a better idea than initial charges for investors; by holding on to the Pep for long enough – usually only five years – it is possible to escape the charge altogether.

Those who sell their M&G Managed Income fund Pep within the first year of taking it out will have to pay a 4.5 per cent charge, which falls to 4 per cent in the second year. The charge drops by 1 percentage point each successive year, so that those selling in the fifth year of investment will not face one at all.

Under present rules, unit trusts cannot impose an exit fee, but this is not the case under Pep regulations.

Although this is the first initial Pep charge reduction by M&G, plenty of other investment houses have implemented reductions. When M&G launched the fund last February, Cazenove and Fidelity also released high income funds, both with lower charges. The Cazenove Bond Utility fund had an initial charge of only 0.2 per cent and an annual fee of 0.5 per cent, although those wanting to hold the fund in Pep form paid a further initial charge of £35.

The initial charge for Fidelity's High Income fund was 2 per cent, in line with the front-end reduction it had introduced several months earlier, although the annual charge remained relatively high at 1.25 per cent.

The initial charge on Murray Johnstone's unit trust Pep is 1 per cent; at Gartmore, it is 2 per cent (Gartmore's UK index fund, which tracks the FT-A All-Share Index, has no initial charge and a 0.5 per cent annual charge).

Scottish Equitable replaced the initial 5 per cent charge on its Peps with a flat-fee of £45 plus VAT, and introduced withdrawal charges for those who sell in the first five years. But it also imposed an annual Pep fee of 0.875 per cent on top of its annual management fee.

Among investment trusts, Touche Remnant's Smaller Companies Pep has no front-end or annual fees. Martin Currie has flat-fee Peps, based on four of its investment trusts.

Although cutting the initial charge does not eliminate the bid-offer spread, it will be reduced to only 0.5 per cent (the level of stamp duty) in M&G's case.

M&G says it has not yet decided whether to remove the initial charge on Peps in its other funds. It says it chose the Managed Income fund because this has been its most popular Pep. At the end of November, 10 months after its launch, the Pep had pulled in £95m.

The performance of all three income funds launched last February has been similar. In the six months to December 1, M&G Managed Income and Cazenove's Utility & Bond fund have grown by 13.6 per cent, while Fidelity's High Income fund has increased by 12.6 per cent (offer to offer, income re-invested; source: Hardwick Stafford Wright).

In the end, performance is more important than charges. But if two fund managers are equally good, the one who runs the fund with the lower charges will provide a better return to the investor.

Scheherazade Daneshkhu

New investment trusts target Europe

Investors who profited from the UK government's privatisation offers may be tempted by two new investment trusts which offer small shareholders a chance to take part in the coming European privatisation programme, *writes Philip Coggan.*

Kleinwort Benson's European Privatisation investment trust, to be launched on January 11, will offer the chance to buy partly-paid shares, with 50 per cent payable on application and the rest six months later. The minimum investment is £2,000.

According to Kleinwort, around £100bn of privatisation issues are expected to be launched on European stock markets over the next five years. The main issuers are expected to be France, Italy and Spain. As well as the expected utilities, companies in industries such as banking, insurance and airlines will be available.

There are, however, a number of problems for UK private investors who want to buy such issues – for example, the foreign currency risk, the need to open an overseas bank account, and witholding tax on dividends. An investment trust takes away these barriers.

Mercury Asset Management's European Privatisation trust will be launched in February. Like the Kleinwort issue, it will have warrants attached on a one-for-five basis and will be Pepable.

Full details of the Mercury offer are not yet available but the offer price will be 100p and the annual management fee less than 1 per cent; Kleinwort's fee will be 0.75 per cent.

BRIDGE

A happy new year to all my readers. Today's hand comes from rubber bridge. I have discussed this hand before but it contains an important play:

```
            N
          ♠ K 9 8
          ♥ 10 9 6
          ♦ K 10 9 8
          ♣ 6 5 3
   W                  E
♠ J 7 5          ♠ Q 10 4 2
♥ 8 4            ♥ J 7 5 3 2
♦ 7 4 2          ♦ A J 6 5
♣ Q J 10 9 8     ♣ –
            S
          ♠ A 6 3
          ♥ A K Q
          ♦ Q 3
          ♣ A K 7 4 2
```

South dealt at a love score and opened with two clubs, North gave the negative response of two diamonds and South rebid two no-trumps. North, holding two kings, raised to three no-trumps and all passed.

West opened with the club queen and declarer was shocked when East showed out, throwing a heart – the club suit was worth only two tricks. There were eight tricks for the taking and diamonds offered the only hope for the ninth. At trick two, declarer led his diamond queen, which was allowed to win – if East wins, South gets home. Following with the three, South finessed the 10, losing to the knave. Defeat was inevitable.

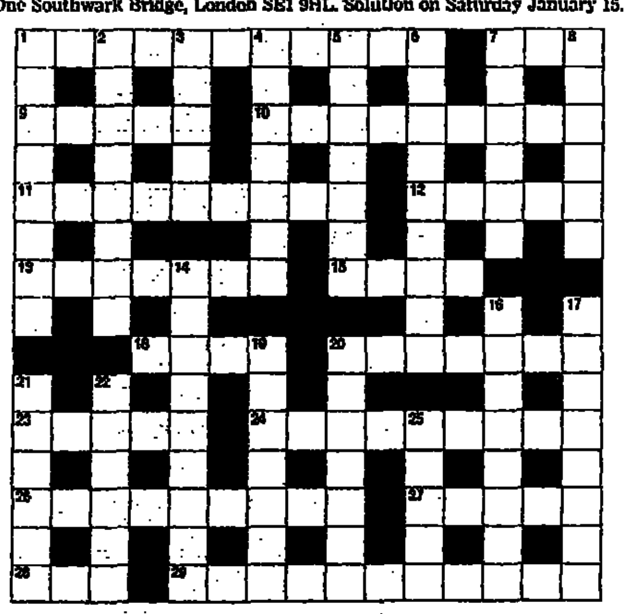
Could declarer have made his contract? Yes. Let us replay the hand. Take West's club queen and lead not the queen of diamonds but the three, and finesse the 10. If East does not take, return a diamond to the queen, setting up the vital second trick. East takes and returns a heart to our ace. Now play the diamond queen and overtake it with the king. East wins and again leads a heart, but we cross to the spade king and cash the two good diamonds and claim nine tricks.

E.P.C. Cotter

CROSSWORD

No. 8,343 Set by DINMUTZ

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday January 12, marked Crossword 8,343 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday January 15.



Name....................

Address....................

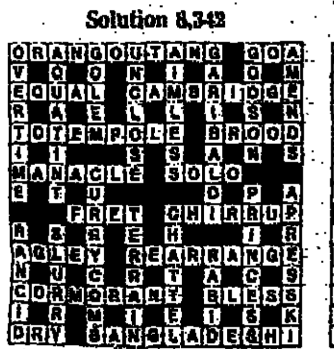
ACROSS

1 Intersperse new projects (11)
7 Prepared for attack (3)
9 One knocks things down, having collapsed to the left (5)
10 To conduct band, one needs principle directing action (5-4)
11 It breaks new ground, possibly damaging the marrow (9)
12 Square cut into river (5)
13 Doctor binds and drags from bed (7)
15 Liturgy just spoken (4)
18 Worker loud in dispute (4)
20 Some enter mini-buses in garages (7)
23 Touching a match? (5)
24 Graduate's first messed up, yet was brilliant (9)
26 People in Beds, we hear, sending regards around Tyneside (9)
27 Diana's alter ego? (5)
28 Frank undressed (3)
29 Shooting-brake? (6-5)

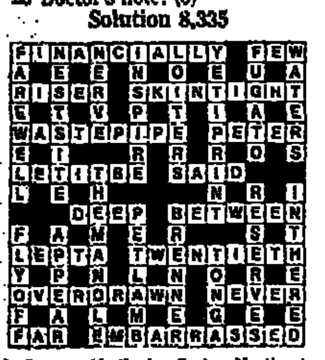
DOWN

1 Encourage principals to be intellectuals (8)
2 One at Lord's never upset inside pitch (8)
3 Man from central Philadelphia (5)
4 Wantonly ignores the provinces (7)
5 Butterfly expert, possibly? (7)
6 But was it the organ of Addison's disease? (9)
7 Fellow suffered and lost (6)
8 Score matched in ends of tourney (6)
14 Drill sergeant's bulk (9)
16 There is very little intelligence in this spot (8)
17 Garden structure to suit dippers but not divers? (4-4)
19 First day cover? (3-4)
20 Double rehearsed in jumper and cardigan (4-3)
21 Touch-type? (6)
22 Scrounge from a writer (6)
25 Doctor's note? (5)

Solution 8,342



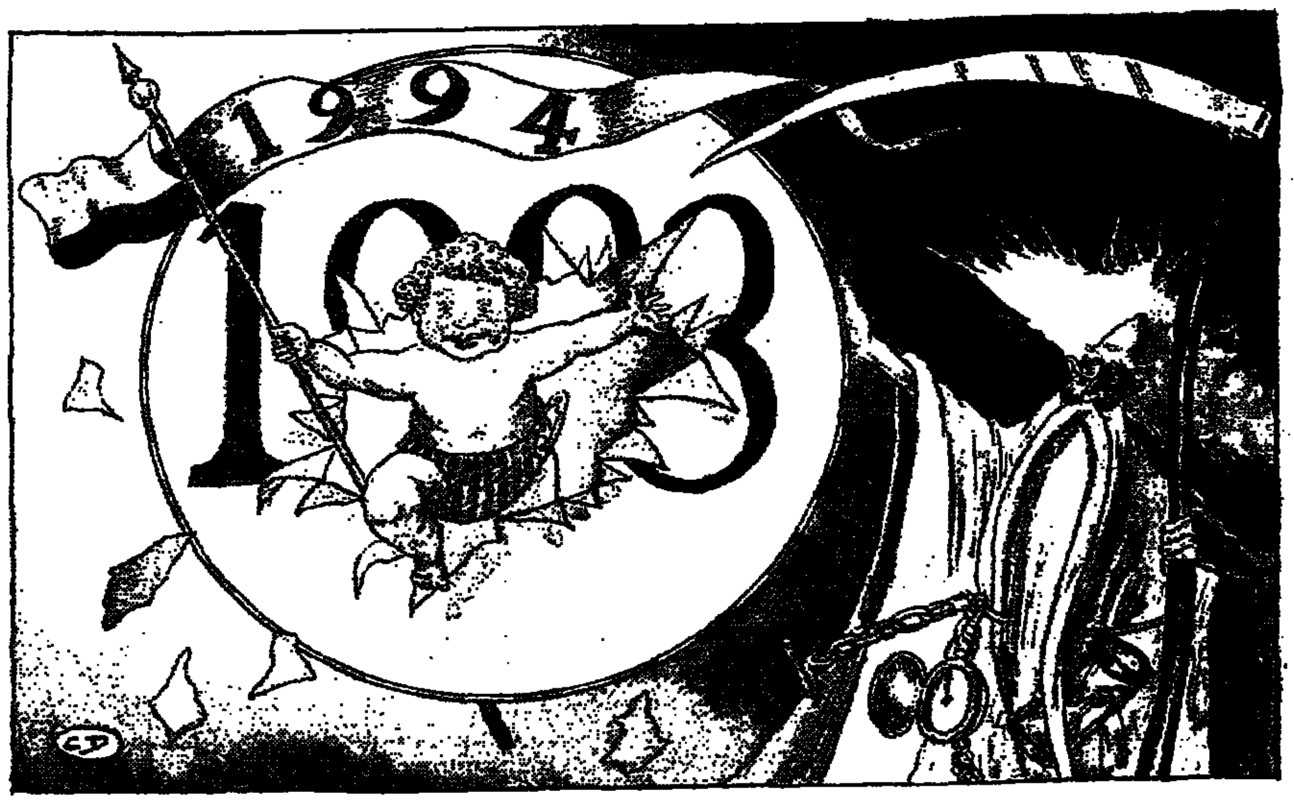
Solution 8,335



WINNERS 8,335: N. Stone, Leatherhead, Surrey; M. Cooke, Corby, Northants; Mrs R.B. Lawrence, Seaford, East Sussex; P. Lawson, Ferndown, Dorset; Dr P. Price, Ruskington, Lincs; D. Watkins, Long Eaton, Nottingham.

NEWS FROM *the* NEW YEAR

FINANCE AND THE FAMILY



Towards a better '94

The new year is the time for making good resolutions. ***Bethan Hutton*** *asks some financial advisers for theirs*

Once again it is the season of good, but often doomed, intentions. Giving up smoking or taking up regular exercise involves a great deal of effort and, as January progresses, resolve can slip. But the state of your personal finances could benefit from rather less stressful initiatives. We asked some independent financial advisers to suggest 10 personal financial resolutions for the new year.

■ **Make sure you are getting the best from your bank and building society accounts.** Some societies have recently started to shift investors' money from obsolete accounts paying low interest rates into more up-to-date accounts, but many societies still expect you to find out for yourself if you could be getting a better return on your savings.

"Despite the recent initiatives from two major building societies, many old accounts are still paying less than 1.5 per cent gross," warns David Harris, of Chantrey Financial Services.

Harris also reminds older savers to keep an eye out for the new income bond for the over 65s, promised in the Budget and due to be launched by National Savings in January.

Finally, young and old alike should be taking full advantage of the tax-free saving opportunities of Tessa and save-as-you-earn accounts.

■ **Either make a will or ensure that your existing one is up to date.** The contents of your will can easily be made inappropriate by changing circumstances. Peter Smith, of Hill Martin, says potential problems he has seen in clients' wills include named executors who are no longer in contact; children possibly inheriting hundreds of thousands of pounds at the age of 18; and no residuary provisions if a spouse fails to survive. See a lawyer if you think your will needs updating.

Intestacy provisions have been revised recently to give the surviving spouse the first £125,000 of the estate if a spouse dies without a will, but it is still simpler and more tax-efficient to specify in a will who should get what.

■ **Sit on your pride and ask for a cheaper company car,** says James Higgins, of Chamberlain De Broe. He points out: "Company cars are now to be taxed as a benefit in kind according to list price. Be green and get a bike."

■ **Maintain a healthy scepticism towards "risk-free" and high-return investments that are too good to be true.** Harris warns particularly of investment and savings products offering "guaranteed" returns in excess of those available from 90-day building society accounts, and of salesmen promising magic solutions to your tax and financial planning needs in the run-up to the end of the tax year.

Also, refuse to let yourself be bamboozled by jargon into investing in complicated schemes you do not understand. "Never accept that any investment cannot be explained simply," advises Richard Boyton, of Boyton Financial Services.

■ **Buy bargains, not markets,** says Higgins. He thinks most equity markets look expensive at the moment, but there are opportunities for value. "Look for short-term anomalies [eg, investment trusts at discounts wider than their sector average] and move swiftly," he adds.

Smith feels many good reasons remain for buying equities, but says: "Timing is always difficult, and salesmen are always at their most persuasive when the markets are high."

His solution is to make regular contributions over six to 12 months or longer, using unit or investment trust savings schemes, phased personal equity plans and equity-linked personal pensions, among other products.

Harris adds a recommendation to retain a prudently balanced portfolio between equities, fixed interest and cash. He advises investors to be wary of playing "follow the herd" and switching their entire portfolio into equities because interest rates have fallen.

■ **Resolve not to put off retirement planning any longer.** "Pensions remain the most tax-efficient form of long-term saving and security," says Harris. He recommends maximising additional voluntary contributions (AVCs) to occupational pension schemes, and contributions to personal pension plans. "Remember, in general, it is more beneficial to pay lump sum single contributions than regular monthly contributions, as the administrative charges are lower."

There could still be good reasons to go for a pension transfer, in spite of recent negative publicity. "If you have left an employment and have a deferred pension, there are a number of circumstances in which a transfer might make good sense," says Smith. But Harris warns that you should be certain to get an independent opinion before making such a switch.

Even if you already have pension arrangements in place, review them periodically. "You might have another serious look at just how much you are going to need to be able to retire," say Robert Noble-Warren and Keivan Borhani, of Murray Noble.

"With the state retreating from benefits in a number of areas – college funding, state earnings-related pension, and provision for long-term care – and the impact of lower interest rates and lower investment returns, individuals now need to have much more available to them at retirement than we have got used to."

■ **Don't expect your financial adviser to do all the work for you – keep yourself informed,** advises Smith. "We have noted a heartening trend that many clients these days, especially those seeking fee-based advice, are much better informed."

He recommends keeping up to date by reading the *FT* and publications such as *Money Management, Money Which?* and *Moneyfacts*. "While the trend seems to be to penalise faulty advisers hard and ensure (rightly) that they comply with the Financial Services Act, the best protection for the client is to know what he or she is talking about, and have demanding requirements."

■ **Be a little European,** suggests Higgins. The French government is planning to privatise about 20 state-owned companies over the next couple of years, and UK investors can apply for shares. "As in the UK, it may be better to hold on rather than just stagging these issues," he says. "Only relatively small amounts will get in, so spread the applications around the family."

Several stockbrokers are offering a special service using French currency accounts to make it easier for you to apply for shares, while Mercury and Kleinwort are both launching trusts which will specialise in European privatisations.

■ **Consider paying off your mortgage.** The returns could be better than keeping your money on deposit, now that tax relief on mortgage interest is being cut to 20 per cent. "If you can't pay off the mortgage, at least switch to the best fixed rate you can find – fixed lending rates are unlikely to come down much more," says Higgins.

■ **Try to make good use of your capital gains allowance, and other tax allowances where possible.** This is something on which all the advisers agree, but Boyton cautions investors never to make an investment decision for tax reasons alone.

Diary of a Private Investor

Too cautious by half

Kevin Goldstein-Jackson *admits that he missed big profits by not trying anything new in his dealings last year*

The young fox picked up the morsel of meat and took slow, deliberate bites, with an expression rather like that of a small boy forced to eat over-boiled Brussels sprouts. Then, it dropped the chewed meat and looked around for something else. Watching from my study window the other day made me reflect suddenly that, in 1993, my investment decisions had been rather like the fox's behaviour.

It lives in a den in the wooded part of my garden, and the meat for which it had shown its distaste had been used in a curry. Despite huge profits which I could have made from investing in emerging markets such as Indonesia, Pakistan and Malaysia, I ignored them completely in 1993 in favour of rather more predictable fare. I had tried nothing really new.

At one time, foxes had a reputation for being clever and shrewd. They were fast movers which had to seek out and catch much of their food. They also ran the risk of being hunted and were said to be active mainly at night.

Now, many have moved out of the wild and into people's gardens. Housewives look after them by leaving kitchen scraps. Foxes no longer have to get up at dusk to forage for food. In my garden, they can be seen having fun from morning to night. They have a comfortable lifestyle knowing there is plenty to eat.

With a plentiful supply of profitable investments, I had no need to be clever or shrewd in 1993. Although I hunted out a number of exciting investment opportunities, I generally avoided putting any money into them – preferring, instead, to sit back and let my existing investments provide regular profits while backing other, well-known companies like Associated British Ports (up from 373p at the start of the year to over 530p in December).

My most "daring" move probably was buying more shares in Lonrho at £1 each in May, although I believed the price was well-supported by assets. I am not surprised it has now risen to around 130p.

Ashanti Goldfields, in which Lonrho has a large shareholding, is expected to be floated soon on the stock market and this should highlight the value in Lonrho – assuming there are no last-minute hiccups or unexpected announcements.

In 1993, there were many suppliers of financial information. The *FT*'s free annual report service, detailed on the paper's share price pages, operates 24 hours a day so my "hunting" hours no longer were confined to the business day.

One of the most attractive dishes was set before me at the end of 1992 when stockbroker Neilson Cobbold offered shares in a placing of OIS International at 50p apiece. I sniffed around the placing document for this technical inspection and testing services company and liked what I saw – but then risked only a very modest amount for my personal pension scheme. OIS shares are now around 77p each.

I missed one especially tasty dish in January. Early that month, an *FT* reader overseas noticed I had written about my holding in a small company called Treatt. He wrote to ask if I would be interested in buying a rather large number of its shares from one of his relatives for around £1 apiece.

Unfortunately (for me), by the time the letter arrived – it took nearly three weeks – the share price had risen to 130p.

It is now 145p. Although this gives Treatt a market capitalisation of only £13.8m, I still like the company, which has carved a profitable niche in the flavourings and fragrance industry. But I have not added to my holding.

In 1993, I was far too cautious. I did not take the risks that I used to take – such as wild gambles on the Vancouver exchange or large positions in very small UK companies. While I was comfortable, I played safe.

None of my investments was shot-at in 1993. I avoided investing in Queens Moat Houses; and although I used to have a holding in property company Mowat (now in receivership), I sold that at a profit in 1989.

The worst thing for me was the sharp drop in the share price of Toye & Co. In January, the shares were 165p each but, after dreadful 1992 results, they hit a low of 100p. Fortunately, I had only a very small holding and I sold most of that for 128p in May. Its effect on my portfolio was less than a flea bite.

Like a fox, I was very protective of my young children. That is why, as 1993 progressed and interest rates fell, I took most of their money out of low-yielding bank and building society accounts (some of which now pay 1.5 per cent or less) and placed it in more profitable havens. This included opening Young Sovereign accounts with the Skipton building society which will, eventually, reward them with up to 8.5 per cent gross.

My wife and I used to hold £10,000 each in premium bonds, but their performance was even more dismal than in previous years. Up to late November, when I reduced my holding to £8,000, I had won only five £50 prizes during the year.

But the Ernie computer, continuing to show its sexist nature, allotted my wife seven £50 prizes. This meant that in every year but one since 1987, my wife had won more money than me. Meanwhile, my two daughters, who each hold less than £200 worth of bonds, both won £50.

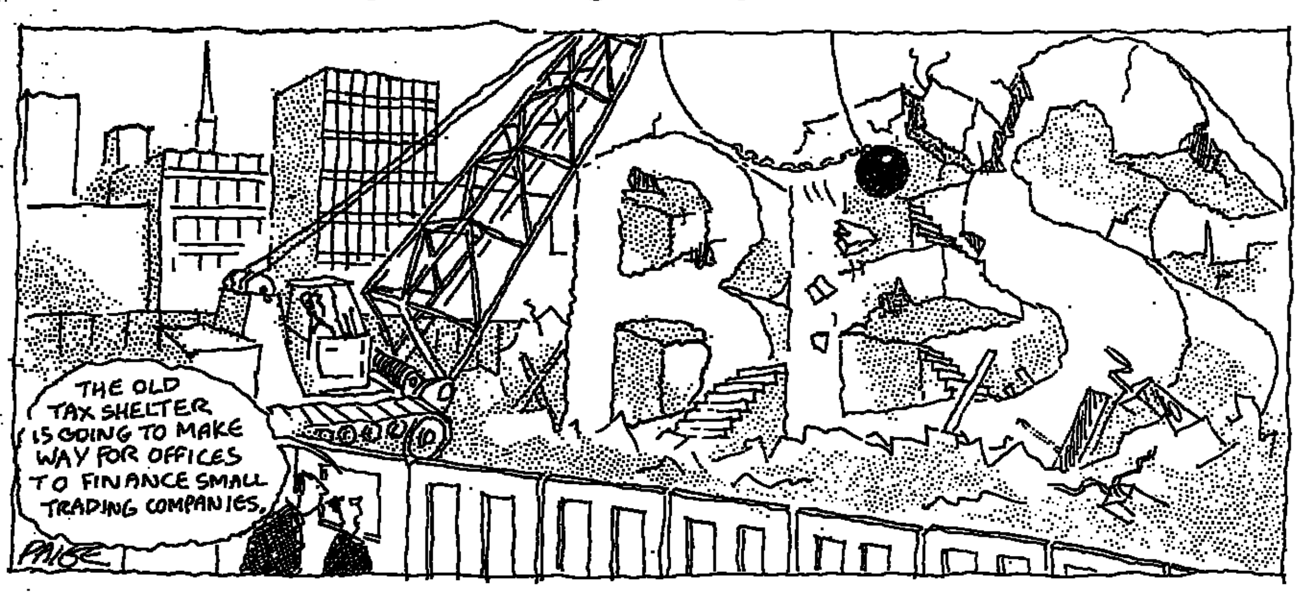
Page 549 of the Teletext service on Channel 4 gives the main bond-winning numbers each week. Noticing that the winners tend not to have holdings that end in three zeros, my wife reduced her holding to £7,980. So, we hope we will be more successful in 1994. Indeed, in view of the coming changes to bond prizes, we could well review our holdings again.

NEWS FROM *the* NEW YEAR

FINANCE AND THE FAMILY

Farewell, then, to the BES

It became too much of a tax break for its own good, says Scheherazade Daneshkhu



Goats, gymnasiums, whisky, racing cars, hairdressers, hospitals, films, Oxbridge colleges – you name it and there has been a business expansion scheme involved. But the BES, which latterly became too good a tax break to be true, was finally laid to rest last night.

Many will not mourn its demise, particularly those who invested in the many trading companies which failed in the early years. For others, however, the transformation of the BES from venture capital to property backed by cash or bank guarantee means it has been a very good investment.

A major factor in its abolition was mounting unease – expressed most critically by the Labour party – that the wealthy and BES sponsors were benefiting at the expense of the state. The BES enabled investors to shelter up to £40,000 a year at their top marginal rate of income tax as long as they held their investment for five years. This meant that a 40 per cent taxpayer could make a £20,000 investment in a BES at a net cost of only £12,000.

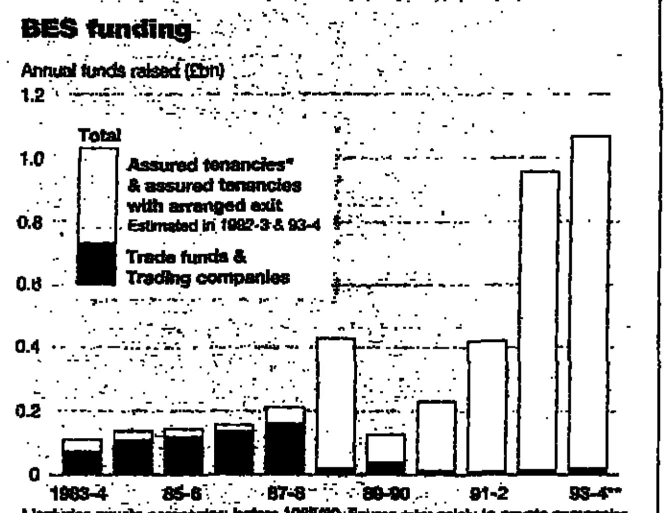
Like its predecessor, the short-lived business start-up scheme (BSS), the government's original intention was to raise finance for businesses by providing tax incentives for investors.

But while the BSS, dogged by legislation that was too restrictive, accounted for only £40m in its two years of existence, the BES brought in more than £1.1bn in its last 10 months alone – more than a quarter of all BES funds raised.

This should suggest that it was an unqualified success. But the largest proportion of the money, £3.4bn, was raised only after 1988 when Nigel Lawson, then chancellor of the exchequer, decided to use the BES to increase the supply of private rented accommodation to improve labour mobility.

In the five years to 1988/9, the BES raised only £780m in total. The graphic shows that annual investments increased slowly but steadily from £105m in 1983/4 to £201m in 1987/8. But legislative changes meant that investment in trading companies fell acutely in the 1988 tax year and never recovered to the same degree.

BES funding



* Includes private companies; before 1988/89, figures refer solely to private companies
** To mid-December 1993.
Source: Allenbridge Group

Trading companies had a double blow in 1988. Not only did Lawson extend the BES into a tool of government housing policy, he also capped (to £500,000) the amount trading companies could raise. But private renting companies (and shipping) were allowed to raise up to £5m.

At first, the BES industry did not welcome these changes. In an open letter to the chancellor, Charles Fry, chairman of the largest BES sponsor, Johnson Fry – doubted that landlords would consider the scheme a good investment because the security of tenure afforded to tenants was too great. Moreover the reduction of the top rate of income tax from 60 per cent to 40 meant the BES was a less valuable tax break than before.

Nevertheless, it raised twice as much in the 1988 tax year than in the previous 12 months.

Financial services groups developed attractive, assured tenancy issues where a qualifying company could buy houses and rent them for five years, after which they could be sold and investors could collect any profits free of capital gains tax. This was attractive in a strong property market and, at the time, there were few who could predict the scale in the fall of property prices, especially in the south-east of England.

In addition, 1988/89 was the last tax year in which investors could carry back tax relief on BES investments to the previous year when the 60 per cent income tax rate was in force. Sponsors were not slow to capitalise on the marketing opportunities that this provided and flooded the market with new issues.

Investors were attracted by brick-based assets where typical returns of 17 per cent a year were cited. This assumed a 10 per cent annual rise in property prices and 40 per cent BES income tax relief.

Trade funds and trading companies raised only £29m in 1988/89 of the £421m total. But they fared better the following year when the drop in property prices made investors nervous of putting money into a falling market.

Enthusiasm for the BES also waned that year when Lawson ended the double tax advantages of investing in closed companies – those controlled by five people or fewer. Investors had been able to gain tax relief on money borrowed to invest in assured tenancies in addition to the usual income tax BES relief.

If the trading companies thought the fall in property market prices would mean a mass return by investors who had deserted them, they were disappointed. Sponsors refined assured tenancy issues to allow exit routes after five years, with a commitment by companies to buy back the shares from investors.

Bank guarantees and backing helped to squeeze out the risks associated normally with the BES, while distorting the spirit of the legislation. Instead of stimulating the rental housing sector, universities and Oxbridge colleges were allowed to use the tax breaks.

The notorious loan-back schemes developed in 1992 proved hugely popular, accounting for two-thirds of BES funds raised in the '92/93 tax year.

Effectively, these allowed investors to leave the BES after only six months instead of the full five years and were abolished in the March 1993 Budget – by which time they had soaked up much of the burden of the repossessed properties.

Arranged exit assured tenancies did not promise the same kind of return that a successful trading company might offer. But their success in raising large amounts of funds appears to have been due to a combination of the attractiveness of the tax break and the asset backing provided.

By contrast, many of the early trading companies have lost investors' money. BES specialist John Harrison estimates that, of the 227 trading companies funded by public prospectus issues or collective funds in 1983/94, more than 100 have failed, including some of those which achieved a stock exchange listing. The riskiest were the smallest – those raising less than £500,000 – which, up to 1988, showed a failure rate twice that of the larger companies.

A study* published by the Small Business Research Trust in 1988 concluded that the BES had fallen well short of the government's aims.

It found that the take-up rate of the BES was low compared with other sources of equity finance for the small business sector, such as loan guarantee schemes and the enterprise allowance scheme.

Furthermore, although the BES was intended largely to benefit high technology businesses, the main recipients were in service sectors or in asset related businesses, "reflecting the attraction of the BES as a tax shelter for higher-rate taxpayers with a predominant concern for security rather than risk."

**Closing the Equity Gap? An Assessment of the Businss Expansion Scheme, by Colin Mason, John Harrison, Richard Harrison (for Business Research Trust 1988).*

NEWS FROM *the* NEW YEAR

FINANCE AND THE FAMILY

The accent is now on enterprise

***Maurice Parry-Wingfield** and **Neil Sharman** on the BES's successor*

From today, the business expansion scheme (BES) will be replaced by the enterprise investment scheme (EIS), a switch designed to help unquoted trading companies.

Investors in the new scheme will receive tax relief of only 20 per cent compared with relief at their marginal rate for BES investments. As with the BES, the investors must keep the shares for five years to secure the tax reliefs. Capital gains will be tax-free, but, unlike the BES, capital losses may be set against income tax or capital gains tax.

From the tax year 1994-95, an investor will be able to get relief on total investments of £100,000 – an amount which could secure a tax refund of £20,000 (the maximum under the BES was £16,000). This level of investment would clearly represent a significant exposure to the high-risk venture capital market.

An investor can take an active involvement in an EIS company through a paid directorship. But an existing entrepreneur looking for new funds would not be able to provide them through the EIS because the scheme applies only to shareholdings of less than 30 per cent.

■ **How attractive is the EIS?**

The risk for investors who are involved in the running of a company may be less than for those who do not. This underlines the fundamental axiom of new business ventures: that personal capital has to be put at risk. The EIS might, therefore, encourage entrepreneurs to risk their own capital, but only for new ventures and only where they limit their investment to 30 per cent. The relief against income tax or capital gains tax for a loss on the first disposal helps only in sweetening a bitter pill.

For the pure investor, the EIS provides the opportunity to invest greater funds in riskier ventures, with only limited potential for the security of property backing, while getting lower tax relief. For both new and existing companies, it provides a chance to raise further equity funds; the maximum is now £1m a year.

Details of the restrictions to be placed on the level of property ownership have not yet been announced. While it is reasonable to restrict the value of property, such restrictions were a major hindrance to new business ventures using the BES. Indeed, they caused some operations, such as hotels, to take an unnecessary offsetting debt burden to allow the scheme to be used. Many entrepreneurs would welcome an easing of the property restrictions to allow business decisions to be made on fundamental grounds.

The EIS is likely to result in higher funding costs than the BES as investors demand high returns to compensate for higher risk and promoters' fees are increased to reflect the difficulty of attracting investors.

■ **Conclusions**

The EIS is welcome. It could provide much-needed equity capital and investment opportunities, but it needs greater flexibility than the BES provided for trading companies.

The success of the BES was very much limited to the private rented housing sector.

The chancellor of the exchequer may be optimistic in his estimates of the sums which could be raised – nearly £500m before April 1997 – particularly if the new rules bar many of the features of BES issues, such as being able to provide a form of assured exit.

As the EIS will be restricted to trading companies, it would be more attractive if investors could borrow, with full risk recourse, to fund their investments (this was outlawed for BES issues) and were able to receive their dividends in a tax-free form. It would be nice to see the EIS providing the seed for tomorrow's larger companies rather than restricting horizons.

■ *Maurice Parry-Wingfield is a tax partner, and Neil Sharman a senior manager, with Touche Ross & Co.*

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Coventry BS	Extra Interest	0203 252277	Instant	£1,000	6.50%B	Yly
Skipton BS	High Street	0756 700511	Instant	£2,000	6.75%	Yly
Northern Rock BS	Postal	0500 505000	Postal	£10,000	6.85%	Yly
				£20,000	7.10%	Yly
NOTICE A/cs and BONDS						
North of England BS	Edinburgh 30	091 510 0049	30 Day	£25,000	6.95%	Yly
City & Metropolitan BS	Super 60	081 464 0814	60 Day	£10,000	6.80%	Yly
Teachers' BS	Minster 90	0800 378669	90 Day	£1,000	6.50%	Yly
Chelsea BS	Base Rate Plus II	0800 272505	1.4.95	£5,000	7.50%A	Yly
MONTHLY INTEREST						
Coventry BS	Extra Interest	0203 252277	Instant	£1,000	6.30%B	Mly
Britannia BS	Capital Trust	0538 391741	Postal	£10,000	6.35%	Mly
Coventry BS	Extra Interest	0203 252277	Instant	£25,000	6.85%B	Mly
Chorley & District BS	Fortress Share	0257 279373	90 Day	£25,000	7.05%	Mly
TESSAs (Tax Free)						
Dudley BS		0384 231414	5 Year	£10	7.57%	Yly
Hinckley & Rugby BS		0455 251234	5 Year	£25	7.75%	Yly
West Bromwich BS		021 525 7070	5 Year	£150	7.50%	Yly
Dunfermline BS		0383 721621	5 Year	£3,000	7.55%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	5.00%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	6.00%	Yly
				£25,000	6.60%	Yly
Northern Rock	Current	0800 591500	Instant	£50,000	6.69%	Mly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	5.75%	Yly
Confederation Bank (J'rsy)	Flexible Invt	0534 608060	60 Day	£10,000	6.75%	½Yly
				£25,000	7.00%	½Yly
				£50,000	7.50%	½Yly
GUARANTEED INCOME BONDS (Net)						
Consolidated Life FN		081 940 8343	1 Year	£2,000	4.30%	Yly
Prosperity Life FN		0800 521546	2 Year	£25,000	4.78%	Yly
Financial Assurance FN		081 367 6000	3 Year	£50,000	5.20%	Yly
Financial Assurance FN		081 367 6000	4 Year	£50,000	5.65%	Yly
Reliance Mutual FN		0892 510033	5 Year	£5,000	5.70%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	5.25%G	Yly
(w.e.f 29/1/94)	Income Bonds		3 Month	£2,000	6.50%H	Mly
	Capital Bonds H		5 Year	£100	7.25%F	OM
	First Option Bond		12 Month	£1,000	6.00%I	Yly
NAT SAVINGS CERTIFICATES (Tax Free)						
	41st Issue		5 Year	£100	5.40%F	OM
	7th Index Linked		5 Year	£100	3.00% +Infln	OM
	Childrens Bond F		5 Year	£25	7.35%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. A = Rate guaranteed to be 1.5% above base rate (min 7.5%) until 2.4.94 and then 1% until maturity. B = 10 days loss of interest on all withdrawals. Rate guaranteed to 28.2.94. G = 5.75 per cent on balances of £500 and over. 6.00 per cent on £25,000 plus. H = 6.75 per cent for balances of £25,000 and over. I = 6.40 per cent on balances of £20,000 and over.

Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD.

Readers can obtain a complimentary copy by phoning 0692 500677.

If the shoe fits . . .

Peter Cave casts a satirical eye on the Financial Services Act

Since the passing of the FSA (Footwear Services Act), shoe wearers and their feet are protected from the unscrupulous salesperson. Witness the care and diligence displayed by the footwear adviser.

Client: I'd like to try on that pair of shoes.

Footwear Adviser: If I may say so, madam, before we investigate that particular pair, we must establish your foot-wearing circumstances and objectives; after all, it might be that you need cycling shoes or wellington boots or silver slippers or . . .

C: Sorry, I haven't time for all that. Those should fit the bill or rather, my feet.

FA: We must take nothing for granted, madam. After all, you wouldn't thank me for selling you slippers if you needed mountaineering boots.

C: True, but I know what I want.

FA: But do you know what you need? Do you need what you want? Our duty is to your needs.

C: Okay, I need those shoes . . .

FA: Standing before madam is an experienced professional adviser – yet madam prefers madam's amateur hunch? Has madam passed the Footwear Advisers' Competency Test?

C: Isn't that simply multiple choice – with questions such as where should shoes be put on? Hands, mosque, bathtub, feet?

FA: Now, now – life under the sole of the FSA is to madam's advantage. No more pre-FSA days of blisters and bunions – of which-shod businessmen and . . .

C: Please, can't I just buy those shoes?

FA: I could accept the order as execution-only; but my head's on the line – or, rather, under the boot. I'm allowed only one a year, but if you insist . . .

C: Excellent – I'll try one on. One's in the window.

FA: Oops, sorry! By displaying it, we're already advising you, so execution-only is impossible. Mind you, it's a left shoe in the window; I could let you have the right one execution-only.

C: But not the left?

FA: No, we'd need a fact-find on your left foot. It will be difficult to leave the right one execution-only.

C: You win! Let's answer your questionnaire – it can't take long.

FA: Indeed not; we'll have our next meeting in three weeks, when your personalised footwear report is ready.

C: You mean I can't buy the shoes today?

FA: Think of the complexities – of insteps, style, fashion statements, laces. What appears right to you might not really be right for you.

C: But why do you need to know about my other shoes and dresses and the colour of my underwear – and about my carpets?

FA: Footwear affects, and is affected by, all manner of things. Does it match your clothing, even when you're undressing? Might stilettos damage your floors?

C: I see . . .

A thousand-and-one weary sighs later, the client stumbles into the street; she is barefooted. It looks as if she needs shoes, but conclusions must not be drawn hastily.

Three weeks later, the adviser is explaining his lengthy report . . .

FA: So, we've projected from your current needs, ensuring you are well foot-clad throughout life.

C: But I came in just for a pair of shoes – not for a lifetime of laces. Where are the shoes I first saw?

FA: Unavailable, madam. They were in a sale.

C: But they're the ones I . . .

FA: Ah, you were going to use that naughty "want" word again, weren't you. Look, here's a pair recommended for you.

C: They're not shaped in the way I . . .

FA: Beware the "W" word, madam.

C: I mean – their shape fails to satisfy the needs of my desires and they're far too expensive.

FA: Come, come madam, do not be fooled by price. Prize your feet, not the cost. You'll also need the winter-wear recommendations on page 18. Your children must have . . .

C: But this will cost thousands. I don't like this pair.

FA: See how well these shoes are projected to perform for the next 20 years.

C: For so long? Perhaps they are worth buying.

FA: Mind you, the projections are mythical with assumptions about pavements walked and . . .

C: Still, they must give some idea of what I'd be getting for my money.

FA: Not quite, madam. The illustrations are not based on these shoes and costs; they derive from an average abstract shoe, unworn by mortals.

C: But it says here that the past is no guide to the future, so why are we discussing any of this? Why were you asking me about past walking habits? If the past's no guide, it's all irrelevant.

FA: Ah, the FSA regulatory bodies say . . .

C: I've heard enough. I'm going!

FA: But this form needs completion with your friends' names – purely because you might walk out together.

Regrettably the client failed to recognise the adviser's professionalism. But not all was lost for the shoe company.

The next day, she saw a newspaper offer for the desired shoes. Different FSA advertising rules permitted her to buy the shoes right off the page.

Unable to check the fit, she was lucky; they felt just right. Tragically, she remains blind to her needs; she merely got what she wanted.

NEWS FROM *the* NEW YEAR

MARKETS

London

Wishing for even more happy returns

By Andrew Bolger

Ring out the old, ring in the new. But before considering future prospects, investors and fund managers are entitled to indulge in some instant nostalgia for the year that has just passed.

A period which started amid general foreboding about Britain's rude exit from the European exchange rate mechanism, and the continuing grip of recession on the UK economy, turned into a vintage year for both the equity and bond markets.

During the year, pension funds enjoyed a 28 per cent return from UK equities, including dividends, according to the WM Company which monitors investment performance. Middle-sized and smaller companies significantly outperformed the FTSE-100, with returns of more than 35 per cent.

Bonds provided returns in excess of 23 per cent on the back of falling bond yields and stable inflationary conditions – the best return from UK bonds for a decade.

Although the level of mergers and acquisitions continued to fall, merchant bankers were able to keep busy with corporate restructuring, rights issues and flotations, which reached a five-year high.

The strength of the market allowed analysts and traders to enjoy large Christmas bonuses and saw a resumption of the jobs merry-go-round in the City, after a long period of retrenchment.

However, the unlucky few who came in to staff trading desks in the dog days between Christmas and the new year holidays had anything but a quiet life.

Arriving on Wednesday morning, they found overseas markets had raced ahead during the Christmas break, and during the day the FTSE-100 gained 49.7 to hit a new peak of 3,462. The fact that nearly all of the advance had been shed by the time dealing closed at lunchtime yesterday was more to do with technical factors than any underlying change in market sentiment during the week.

It emerged that many fund managers had been content with the gains they achieved during the market's autumn surge, and sought to lock these in by using the increasingly popular derivatives market. However, few had foreseen that the FTSE-100 would gain another 9 per cent in December, following the City's relief over the November 30 Budget.

Some big institutions therefore had to scramble to buy shares to cover positions they had taken in the futures market. Once those contracts had been unwound, the pressure on prices quickly abated and the FTSE-100 yesterday closed at 3418.4, up a mere 6.1 on the week.

What might have seemed an unusual week in trading terms, demonstrated the importance of two factors which have dominated UK equities in recent months: the relative performance of overseas markets and investment decisions by the big funds.

There are of course more fundamental reasons for the increase in the UK market: falling interest rates and lower returns on competing investments, combined with evidence that the domestic recovery is at last gathering strength.

However, much of the market's recent strength has come from overseas investors seeking a good return – particularly US investment funds, which have seen Wall Street perform only modestly in spite of the continuing recovery.

The chart shows that London has lagged behind the other European markets – not to mention Hong Kong – even though the UK is expected in 1994 to be the strongest growing major European economy for the second successive year.

This vote of confidence from overseas sits uneasily besides widespread concern in London that the UK market's current rating is counting on a recovery in earnings that companies will find difficult to deliver, given the fragility of consumer confidence, continuing insecurity over employment, and the tax burden which will be imposed on the economy when the Budget increases take effect in April.

Equity strategists at UBS believe that the UK might be about to enjoy a "golden scenario" – favourable growth and low inflation, crowned by a substantive fall in the budget deficit, combined with firm sterling and lower interest rates.

However, they caution: "The gold turns to dross in later years of this parliament, a reverse alchemy brought about by the Britain's deeper structural problems. Although Mr Clarke's Budget clearly recognised some of the dangers, the chancellor's modest measures will not in our judgment prevent a medium-term resurgence of inflation."

Nikko, the Japanese securities house, also sees some scope for further advance by the UK market in the new year, in response to further falls in interest rates.

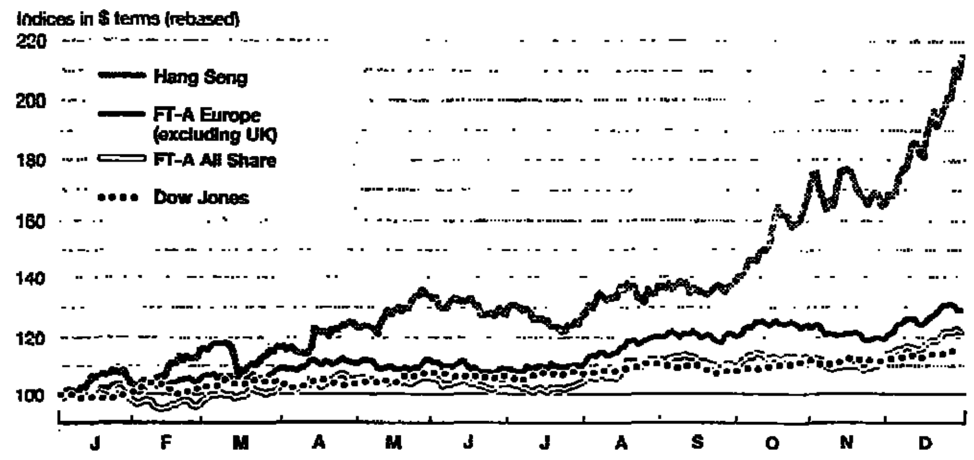
But it cautions: "As reality dawns, with the bottoming out of interest rates, lower consumer confidence and a slowdown in the recovery, the market is expected to stagnate."

Year-end forecasts range from an unchanged 3,400 up to 4,000, but many market watchers believe there could be a substantial fall in share prices if and when the present cycle of low interest rates turns – as it could soon in the US.

In this rather twitchy environment, investors are likely to seek out sectors and companies which have so far missed out on the market's advance. Motors may benefit from the combination of lower interest rates and increased growth. As the reality of the slow economic recovery sinks in, investors might also look to sectors which offer more defensive qualities.

Nikko also highlights the food retailers, which have underperfomed massively and have a captive market, and domestic brewers and health and household companies, which it believes offers above-market earnings performance after a period of huge underperformance.

UK markets relative performance



Source: FT Graphite

HOW SHARES HAVE MOVED

The following table shows the percentage movement in the FT Ordinary share index and its constituents during 1993. The FT-SE 100, FT-SE Mid 250, FT-SE-A 350 and the FT-A All-Share indices are also shown.

	Price on Dec. 31	% change on year	1993 High	1993 Low		Price on Dec. 31	% change on year	1993 High	1993 Low
FT-SE 100 Index	3418.4	+20.09	3462.0	2737.6	Forte	261	+38.83	269	170
FT-SE Mid 250	3791.3	+32.43	3807.0	2876.3	GEC	341½	+20.46	367½	264
FT-SE-A 350	1703.0	+22.64	1721.5	1348.7	GKN	528	+17.86	535	434
FT-A All-Share	1682.17	+23.34	1698.75	1330.19	Glaxo	725	-9.58	801	509
FT Ordinary	2559.5	+17.13	2596.7	2124.7	Grand Met	475	+2.15	482½	373
ASDA	55½	+4.13*	77½	46½	Guinness	477½	-7.48	521	385
Allied-Lyons	590	+5.75	697	517	Hanson	268½	+14.89	285½	222
BICC	402	+13.88	448	319	ICI	800	+53.55*	804	605
BOC	659	-13.97	770	590	Lucas Inds.	192	+45.45	198	125
BP	360½	+46.07	366	225	Marks & Spencer	453½	+37.83	461½	311
BT	472½	+17.10	489½	378	NatWest Bank	620	+52.28	634	398
BTR	373	+13.03*	409½	348	P & O Defd.	646	+28.05	676	504
Blue Circle Inds	337	+89.35	359	189	Reuters	1787	+26.92	1885	1240
Boots	598	+6.80	609	416	Royal Insce	340	+32.00*	347	248
British Airways	449½	+82.04*	461	249	SmKl. Beecham A	404	-18.55	513	373
British Gas	341½	+17.15	361½	276	Tate & Lyle	400	-0.74	439	355½
Cadbury Schw.	509	+16.39*	519	407	Thorn EMI	990	+12.37	1017	809
Courtaulds	487½	-18.07	608	421					

*Adjusted for capital change.

Serious Money

And now it's time to say goodbye

*By **Philip Coggan**, personal finance editor*

This is the last column I shall write on personal finance, so perhaps readers will forgive a spot of self-indulgence as I look back over 3½ years in the job. Back in 1990, the first thing that struck me about personal finance was the gap between the ideal and the reality. Finance is an incredibly complex subject and few consumers, however enthusiastic, can be expected to grasp all the details.

In the ideal world, the consumer would know where to go to find objective, expert advice – just as, in the world of transport, one can summon the AA man to ask his unbiased opinion on a used car. But, in the real world, there is a complex structure of salesmen, tied agents and independent financial advisers plus an alphabet soup of regulators.

It is easy for a consumer to be bewildered if told "Hello. I'm a Fimbra-registered IFA." Even if you understand what that meant, because of the commission system, you still could not be sure of receiving an unbiased view.

The *FT* has consistently taken the line that the system of commission, whereby an adviser or salesman is paid by the company for selling a product and not by the customer for the advice given, is open to abuse. The personal pension scandal puts the problem in a nutshell. Salesmen knew they would earn lots of money if they recommended a transfer into a personal pension, but nothing at all if they told people to stay put. Surprise, surprise. They recommended a transfer, often without completing the paperwork properly.

At last, things are changing. New rules will mean that investors must be told how much commission salesmen and advisers earn. Not only is this right in itself, it will give a boost to the system of fee-based advice, which we believe is much more likely to give consumers an impartial view. Until now, many consumers have been unwilling to pay fees, because they believe they are getting "free" advice elsewhere.

□□□

When I started this job in August 1990, it was a great time to invest in equities and bonds. But many savers preferred the 15 per cent they could receive from cash and now are contemplating dwindling building society incomes.

I have consistently prodded savers to diversify from cash. Alas, I went wrong this year and under-estimated the scale of the rally which has taken the stock market from very high historic valuations to even higher ones. Inflation has fallen much further than I expected; that has made investors very optimistic about the prospects for falling interest rates and has caused a massive shift from cash and into equities and bonds.

Nevertheless, I am still nervous about the level of share prices. Are low inflation and slow economic growth really compatible with soaring corporate profits? And if we have moved to a low inflation era, should we still value the market on the basis of the yield ratio used in the inflationary 1970s and 1980s? After all, for much of the 1950s, equities yielded *more* than bonds.

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One thing I *did* get right this year was to draw readers attention to the O'Higgins theory. This was developed by an American fund manager who looked at the 10 highest-yielding shares in the Dow-Jones index and then picked the five with the lowest absolute share prices. A portfolio consisting of these stocks outperformed the Dow by an average of around 9 per cent a year between 1973 and 1991. I applied the theory to the FT-30 index and found it seemed to work in the UK, too. At the start of the year, the method picked five stocks: Blue Circle, British Gas, Forte, Hanson and Lucas. The average gain for the five this year (including gross dividends) was 46.8 per cent; the All-Share (also including dividends) is up 28.7 per cent.

Of course, the theory does not work every year (it just seems to work over the long term) and a portfolio of just five stocks inevitably will involve more risk. Besides which, the FT-30 index is hardly used these days, so that could affect the theory's success. Still, I am sufficiently encouraged to apply the theory again to the FT-30's present constituents: Allied Lyons, Asda, BICC, Blue Circle, BOC, BTR, Boots, BA, British Gas, BP, BT, Cadbury Schweppes, Courtaulds, Forte, GEC, Glaxo, GrandMet, GKN, Guinness, Hanson, ICI, Lucas, M&S, NatWest, P&O, Reuters, Royal Insurance, SmithKline Beecham, Tate & Lyle and Thorn EMI.

The result is that three of 1993's selections are picked again: British Gas (344p, 5.2 per cent yield); Hanson (273.5p, 5.2 per cent); and Lucas (197p, 4.4 per cent). The additions are BICC (408p, 5.9 per cent yield) and Tate & Lyle (397p, 4.1 per cent). All figures are based on the FT of December 30.

One reader asked what the O'Higgins method would choose in the US. Based on December 29 closing prices, the system would select American Express, DuPont, Eastman Kodak, Union Carbide and Woolworth.

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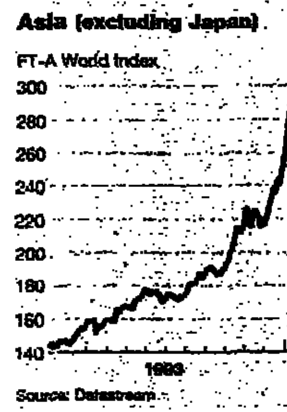
Finally, my thanks to all those readers who wrote over the years, with questions, suggestions and (mostly constructive) criticism. May your portfolios prosper.

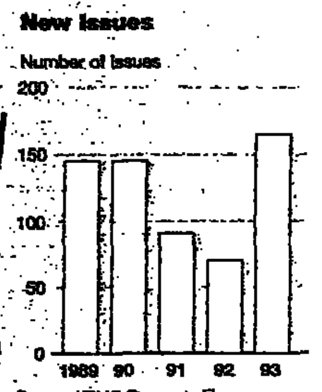
AT A GLANCE

Asia (excluding Japan)



Source: Datastream

New issues



Source: KPMG Corporate Finance

Asian markets put on a bumper end-of-year show

Stock markets in most of Asia put on a spectacular performance during 1993. Hong Kong, the largest market in the region, was particularly dynamic, despite political worries in the run up to 1997. Markets in south-east Asia – Singapore, the Philippines, Malaysia, Indonesia and Thailand – hit a series of all-time highs, with predictions of strong economic growth and heavy demand from both local and overseas investors. Taiwan this week reached its highest level for 29 months. Japan, however, staged a temporary recovery only to fall back towards the year-end.

New issues strain market

The number of new London share issues in 1993 was the highest since 1988, raising around £5bn, while rights issues brought in £11bn. However, the flood of new issues in the autumn strained the market, leading to the withdrawal of some flotations. The poor quality of some small companies seeking to float has also been of concern to investors – some companies floated this year have already issued profit warnings. New Stock Exchange rules since the beginning of December increase sponsors' responsibility for ensuring that full disclosure of a company's financial situation is made in the prospectus.

Electricity bonuses

Shareholders in the 12 regional electricity companies who bought their shares on flotation in 1990 and still held them on December 31 will be eligible for their bonuses. About 1.25m shareholders are involved, the Department of Trade and Industry believes. Those who registered with the share information office as customers will receive one free share for every ten held, to a maximum of 300 shares. Non-customers get one share for every 20, up to a maximum of 150.
Shareholders who opted for electricity payment vouchers instead of shares have to cash them by April 30 next year. About £1m worth are still outstanding.

Building society phone service

The Bristol & West building society is launching a 24-hour telephone-based service for savers with at least £10,000 to deposit. The new service, Asset, will give customers the ability to switch funds between a range of accounts.

Gift cheque fees waived

Lloyds Bank is waiving processing fees for foreign currency cheques received as Christmas gifts from abroad by children, young people and students. The offer applies to Young Savers, Headway and Student accounts, until January 31 1994.

Wall Street

Forget the experts, watch the individuals

The year 1993 was a record-breaker for the US stock markets, with the main share indices ending the year close to their record highs. This week alone the Dow Jones industrial average reached a new peak on Monday, Tuesday and Wednesday, before some late profit-taking stopped the winning streak.

Profit-taking was started by heavy selling on the Treasury market, which pushed the yield on the benchmark 30-year government bond over 6.3 per cent. Yet, the jump in bond yields was the result of bullish economic data.

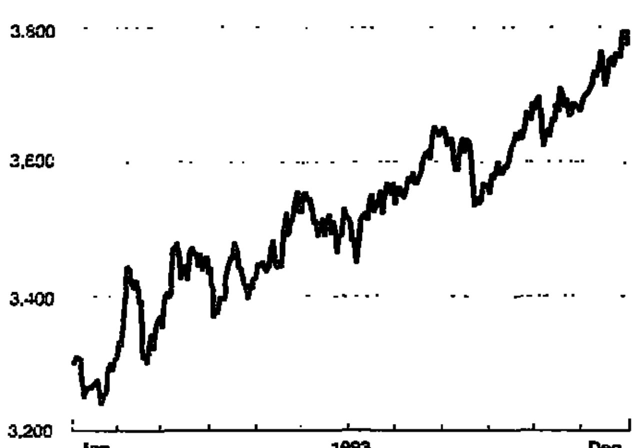
Among the good economic news released this week was a big decline in the number claiming unemployment benefits (to what was almost a five-year low), strong existing and new home sales, buoyant retail sales, and healthy leading indicators.

With share prices buoyant, interest rates still low, company earnings steadily improving, and the economy showing signs of real and sustainable strength, 1994 should be another year for the record books on US stock markets, right? Well, maybe not.

While analysts agree that both the economy and corporate profitability should grow at a handy pace this year, some fear this will lead to a revival in inflation and higher interest rates which, combined with investors' rejection of expensive stock values, will bring the long bull run to an end in 1994.

Yet, if this year is going to be a disappointment, no one seems to have told US individual investors. Judging by the rate at which they continue to pour their money into stock mutual funds, investors are confident that 1994 will be as rewarding as 1993, when the Dow gained more than 14 per cent, the Standard & Poor's 500 rose 8 per cent and the Nasdaq composite climbed 13.5 per cent.

Dow Jones Industrial Average



Source: FT Graphite

Analysts estimate that net sales of stock mutual funds last month were up 30 per cent on a year earlier – although official figures for December have yet to be released. That would take the total of stock mutual fund sales for 1993 to $220bn. This would easily eclipse the previous record for sales set in 1992 of $142.9bn.

These huge flows of funds have driven share prices higher, even though valuations have looked expensive historically. Moreover, individuals have been pouring so much money into stocks that they are beginning to reverse the established trend of equities ownership in the US.

After the great stock market crash of October 1987, many individual investors were scared away from equities (some feared for good), and over the following years institutional holdings of stocks rose steadily while individual holdings declined.

That trend, however, looks as though it is now being reversed. Figures supplied by Birinyi Associates, a Connecticut-based financial markets research firm, show that at the end of the third quarter of 1993, the value of all US equities was $5,600bn. Of that total, 71 per cent was owned by households, either in the form of direct holdings ($3,000bn) or mutual funds ($1,000bn). That is a big increase from the three years 1990-1992, when households on average owned only 66 per cent of the value of equities, and it is fast approaching the levels seen before the 1987 crash when households accounted for as much as 75 per cent of equities ownership.

The message from all this is clear: if you want to find out about how the US stock market will perform in 1994, look at what individual investors do, not what experts say.

The weight of money into stocks can only keep pushing prices higher, and the Dow, which has been flirting with 3,800 in recent days, will probably test the 4,000 mark before 1994 is over. There's a happy thought for the new year.

Patrick Harverson

Monday	3792.93	+ 35.21
Tuesday	3793.77	+ 00.84
Wednesday	3794.33	+ 00.56
Thursday	3775.88	– 18.45
Friday		

The Bottom Line

Light at the end of Eurotunnel

"The quantification of the unquantifiable, that's what you are asking." Thus one analyst summed up the difficulties of evaluating the 10-year extension of Eurotunnel's concession on running the Channel tunnel. In return, Eurotunnel is renouncing most of its claims for extra costs, estimated at between £500m and £1bn, against the British and French governments incurred because of increased safety, security and environmental measures.

Eurotunnel will now hold the concession for 65 years, dating from the Channel Tunnel Act in 1987. "This largely resolves the outstanding issues between the French and British governments and Eurotunnel," said a French official.

The news came out too late on Wednesday to affect the market. On Thursday morning, though, investors showed they approved and the share price rose 34p to 597p. Yesterday, it increased a further 13p to close at 610p, well up on the week.

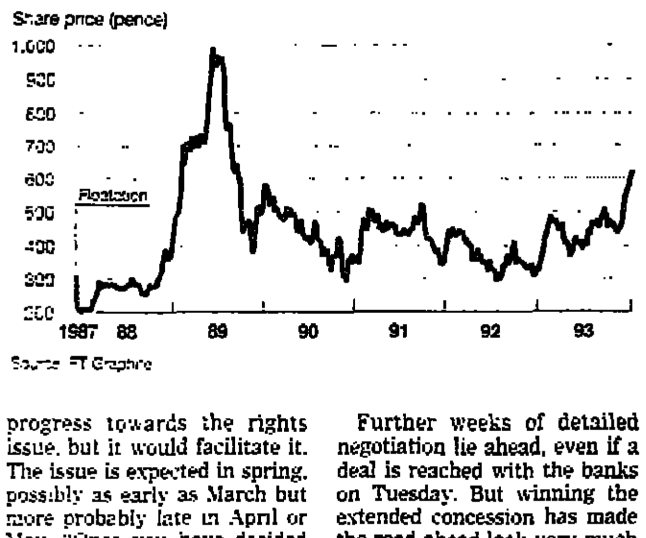
The profitability of the tunnel after it opens later this year is an unknown factor, let alone the value of money in the year 2052. But Eurotunnel looks on the verge of overcoming most of its troubles. In particular, the deal with the two governments bodes well for the company's talks with its bankers.

Eurotunnel still has to fund the whole cost of the project, now estimated at £10bn instead of the original £4.8bn. While it has raised about £8.95bn, it needs at least another £1bn, mainly to cover debt servicing before the tunnel begins to break even on a cash basis in 1998.

Deadline for a refinancing agreement for the £1bn is Tuesday. At least £500m is expected to come from a rights issue, for which the company won approval before Christmas.

Graham Corbett, Eurotunnel's finance director, said the 10-year extension would not accelerate the group's progress towards the rights issue, but it would facilitate it. The issue is expected in spring, possibly as early as March but more probably late in April or May. "Once you have decided to go down that route, the quicker you go the better," Corbett added.

Eurotunnel



Source: FT Graphite

Further weeks of detailed negotiation lie ahead, even if a deal is reached with the banks on Tuesday. But winning the extended concession has made the road ahead look very much smoother.

Looking back just six months, Eurotunnel has resolved a whole raft of troublesome issues. Among the most notable was the settlement at the end of July of the long-running dispute with Transmanche Link, the Anglo-French consortium of contractors building the tunnel, over responsibility for heavy cost over-runs.

This was followed at the end of November by resolution of a dispute between Bombardier, the Canadian supplier of trains for the shuttle service, and Transmanche Link over the same issue. "All the things that were giving the banks sleepless nights a few months ago have been resolved – now it's up to them to do their bit," said Corbett.

Looked at alongside comparable civil engineering projects of the past, Eurotunnel has not done too badly. Its cost overruns pale into insignificance alongside the Suez and Panama canals, each of which soared more than 50 times over budget.

More recently, the single bore Seikan rail tunnel connecting the northern island of Hokkaido to mainland Japan was completed after taking 24 years to build – 14 more than planned.

The Channel tunnel will be running in March and the state opening by the Queen and French President Mitterrand is set for May 6. The UK government has resolved its dispute with Eurotunnel without having to pay out any cash.

With the black clouds disappearing rapidly, from the horizon, it is not surprising that market sentiment has turned positive. And while investors will still have to wait until the turn of the century for any dividends, they can look forward to earnings coming on stream fairly soon – and those with travel concessions will be able to use them.

As one analyst said yesterday: "People who have held on this long have no reason to sell now."

David Blackwell

NEWS FROM *the* NEW YEAR

This is a prediction-free column

***Dominic Lawson** does not trust soothsayers. The fun is not knowing what is going to happen*

The saint who intermediates between myself and the editor of the *Weekend FT* has sent me a letter. It says that this New Year's Day issue shall be a "special issue" which "will lay emphasis on the year ahead, using the loose theme of Boom and Bust. Plenty of top spin and forward bounce." I think this means that I am being asked to forecast – something along the lines of Old Lawson's Almanack.

Can't do it, old chap. Sorry about that but I have extreme difficulty in anticipating what my own mood will be in 15 minutes' time. I couldn't even begin to guess the fortunes of the stock market. My only advice is to remember what the pundits told you would happen to your investments exactly a year ago and then decide whether you want to read more of the same.

The forecasters I trust are those whose advice is so generalised as to be almost meaningless. I can see that these writers are troubled souls, painfully aware of their inability to see the future and, being also conscientious, unwilling to pretend that they have a clear glimpse of events beyond the ends of their noses.

Such a man is Jonathan Cainer, dubbed – faint praise – "Britain's most authoritative astrologer" by his employer, the *Daily Mail*. Jonathan's 1994 forecast for us Sagittarians is a masterful example of his evasive art: "It may be less easy to maintain a sunny disposition when you find yourself tackling inner doubts that emerge in 1994 as a result of your ruler's continued presence in your 12th Solar house. You may soon begin to question some very fundamental issues and find that this steers you into deep, dark, uncharted waters. Easy answers are not likely to be forthcoming and are not to be trusted ..."

You see? It is impossible to find fault with such vacuity.

Jonathan annoys me only when he presumes to deal in facts. How dare he say, as he did earlier this week, that "your home may not be sumptuous"? Jonathan, sumptuous is exactly what it is. My interior designer would hang you from our highest chandelier if he read your remark about our soft furnishings.

These year-end and year-beginning forecasts are based on the idea that the achievement of the earth in making yet another circumnavigation of the sun presages some marked change in our lives. It's not true, of course, although some people attempt to enforce such a change by the adoption of new year resolutions. Soon afterwards they benefit from the fact that it is not an offence to break a contract with oneself.

The tedious truth is that, when we have reached a certain age, nothing changes very much in our lives. Our flaws and strengths are all too well defined. Worse, our ability to be happy is a constant, almost entirely unaltered by external circumstances, in which category I include income and career. A miserable old sod is always a miserable old sod.

It is only among the very young that one finds a character capable of change and, therefore, progress. I have observed this only by becoming a father, a year and a week ago. For my daughter, a year is a lifetime and every day is a new world, to which her reactions are predictable only in their unpredictability. Some would have it that her character and future are already set in stone. Intuitively, I know that this is not so.

This summer, she is due to have a brother or a sister, and I shall spend the next six months futilely forecasting which her sibling shall be, being unwilling to spoil the fun by finding out. That would defeat the point of being in the future.

■ *Dominic Lawson is editor of* The Spectator

Private View/**Christian Tyler**

Love, marriage and Penrose

Is marriage going out of style in the west? On the face of it, the answer must be yes.

In most west European countries, the marriage rate has declined gently over the past decade while the rate of divorce has risen sharply. The number of babies born outside marriage has increased astonishingly. In Sweden, it is nearly half of all births; in the US, Britain and France, from 25 to 30 per cent. In 1960, these figures were 10 per cent or less.

The British are (after the Portuguese) the most assiduous marriers in the European Union and second only to the restless Danes in divorce. Yet, there is evidence of parental stability. Half of Britain's out-of-wedlock babies are born to co-habiting couples and three-quarters are declared by the father and mother together.

To find out more about what is happening to the institution of marriage, I climbed a shaky staircase to the offices of a leading London marriage bureau at a "good" but down-at-heel address just north of Oxford Street.

I walked into what looked like a love nest. A simulated coal fire burned optimistically under the mantel in the outer room. Beyond was a cosy parlour, as tasteful as a country tea room, in which, I presume, the lonely pour out their hearts to the match-maker.

Penrose Halson is a handsome advertisement for her unusual trade. She has a soft voice, is feminine to the point of girlish, and has a seductively melodious laugh. It was easy to imagine distraught clients of both sexes being gathered, metaphorically speaking, to her bosom.

But I was on other business. I quoted the statistics and asked: does this mean marriage is dying out?

"There are still an enormous number of marriages," she said. "The figures don't mean marriage is not a good institution. Like democracy, it's the best we've got. It could be modifying and changing but not dying. If it is, it's the greatest pity."

Do you say that because you were brought up to think so?

"Yes, but I didn't marry myself until I was 48 [she is 53 now] and I don't think it's necessarily the answer for everybody. But I do think it's probably the answer for the large majority, provided it's entered into for good and solid and proper reasons."

Why didn't you get married until 48?

"Late developer," she laughed.

You can't get away with that.

"No, I was much too ungrown-up, I think. I'm jolly glad I didn't. Any fool can get married. Sure, I thought I wanted to. All my brothers and sisters did, and all remained so."

'Any fool can get married . . . it is no longer the passport to sex or child-bearing'

There was a bit of bloody-mindedness in it, too, she said. "I never wanted to be Mrs Wife, and I think probably the people who wanted me to marry them saw things in that way. In reality, I was probably quite frightened of it. I was very muddled."

Her mother, a former Girton girl, sent her to this self-same marriage bureau when she was 27. At 37, she was on the brink of getting engaged, but the man died. She returned to the agency. She met husband Bill Halson, a divorced management consultant, years later when advertising for a lodger.

"Bill turned down the room and contacted me several weeks later and asked me out to dinner. And I was frightfully upset because I thought: if I go out with this man and like him, then I can't have him living in the flat. And if I don't like him, I couldn't, either."

If marriage was less popular, it was for lack of church and family support, she said. The social cachet had gone, along with the stigma of divorce.

The Church of England no longer gave a positive lead while government ministers sent confusing signals, saying one thing but doing another, like cutting the married person's tax allowance.

Marriage was no longer the passport to sex, nor even to child-bearing. Expectations were higher but "very woolly," especially among women. And people were living much longer, which made a lifetime commitment daunting.

Perhaps people have just decided it's not such a good thing after all?

"But they're not coming up with any good alternative. If co-habiting were a satisfactory answer, one could kiss marriage goodbye. But I have seen people who have tried both and they find co-habiting unsatisfactory."

Why is that?

"I think it's the lack of commitment – the fact that, in marriage, if you have a bumpy time – which we all do – the commitment is what helps you ride it out. You're much less tempted to say: 'Oh well, it's not working, I'm off'."

Why should they want that depth of commitment?

"A lot don't. But I think it is the only practical way of organising ourselves as a society. We need structures, just like the infrastructure of the sewers and the roads and the railways. You can't have a society based on people pursuing their own requirements and not obeying certain rules."

According to a London University study, a successful marriage is the best guarantee of a happy life (a poor marriage, on the other hand, was found to bring unhappiness). Moreover, as Halson says, stress, illness and mortality rates are higher among divorced people, even if co-habiting.

Her observations are based on seven years' experience running the Katharine Allen bureau, which caters for about 1,000 educated, middle-class, presentable professionals (60 per cent women, 40 per cent men) at one time. But marriage bureaux are few, while dating agencies have proliferated. Is this fact alone not significant?

Feminism might have something to do with it. I quoted one feminist theory that western women are merely reverting to biological type. Do women want a man, perhaps, but not a husband?

"I suspect they do, however emancipated and successful. They want a husband in name or effect. Whether they are legally married or not is not really the issue."

The bureau, she said, is trying to foster marriage or "equivalent relationships".

So, you are not a marriage bureau but an ongoing relationship bureau?

The match-maker laughed. "You could call it that. We did consider changing the name to 'marriage and partnership bureau' – but not too seriously."

Rather than "marriage", I suggested, she could employ a more zoological denotation, such as "permanent monogamous co-habitation" or PMC. She giggled at the thought, and said: "No. PMC *stroke* M . . . for marriage."

If PMC became the norm, would that matter one jot?

"But it's a rotten way to live, with the feeling one day you are going to part. I don't see how you can have a really positive life together."

Don't married couples live like that, anyway?

"They know they can be divorced but they don't dwell on it. In co-habitation, the more vulnerable probably will, and, in middle age, that means the woman. Co-habiting is so difficult to define. And I do think people need definitions and structures as a basis."

Trevor Humphries

Penrose Halson: a handsome advertisement for her marriage bureau

Penrose Halson, *née* Colyer (her first name is from a village in Cornwall) has an extramural degree in modern languages, wrote and edited language teaching books, and taught Spanish at a school in a poor area of London.

She was also academic headmistress of a recognised but "very eccentric" local ballet school.

What are your qualifications for this job? I asked, unkindly.

She was unmoved. "What *would* be the qualifications?"

I don't know, I mumbled. Psychology, psychiatry, a PhD in social studies . . .

"I'm a trained teacher, which is a help."

Do you think there should be publicly-supported marriage brokers or advisory agencies?

"Pre-marital counselling would be a very good idea. The problem with that is people accepting they need it – especially at a time when they're feeling good about life. One has great doubts about making it compulsory." And there would still be the problem of finding partners for the 40 and 50-year-olds, especially women.

"But I do think if one could make getting married a little bit harder, it would help." (It would not help to make divorce harder, she added). "Maybe if they had to go and see the registrar for an hour . . . But it's not going to stop people.

"It's a very interesting idea. If you could get good people to run them, yes . . . I think I'd need notice of that question."

Mr Blobby for Number 10

Michael Thompson-Noel

Time to put my money where my mouth is and produce a few fearless forecasts for 1994, even though, on balance, it looks like being a muddling year – neither memorable nor especially horrible though marked, come autumn, by the first tangible wisps of PMT (pre-millennial tension).

None of these forecasts is based on econometric modelling or indeed on anything more highfalutin than hunch and experience. They are *serious* predictions, though I am happy to confess – most forecasters never do this – that wishful thinking has infected most of them.

Off we go:

Stock markets world-wide will endure a nastier ride than most pundits are predicting. The FT-SE 100 will set a record high of approximately 3,660 before Easter, then endure months of choppiness before falling like a stone in September or October, finishing the year below 3,000. I myself plan to go almost totally liquid on February 24, which happens to be my birthday. Contrary to what the experts say, gold will glitter in 1994 as it dawns on market-makers that every 15 seconds another 45 people are born on earth and that 10 of them, at least, are likely to be gold-bugs. In 1994 gold will again approach $500 an ounce ($391 at present) as a prelude to startling gains at the end of the century.

It will be a good year for Bill Clinton – Washington's dozy columnists will finally warm to him – and a good year, too, for Hilary Clinton, her husband's possible successor as US president in seven years' time.

But it will be a cruel and desperate period for Europe's leaders, particularly John Major, whose days as UK prime minister are – mercifully – numbered. Major won't be pushed; he will go voluntarily, late in the year, probably late at night, his poor wife in tow, deciding, not unnaturally, that enough is enough and that he has already endured more obloquy than mortal man can bear. (Why should he worry? He will become a rich and much-loved pensioner). His successor – but only for a short while – will be Kenneth Clarke, the Mr Blobby of UK politics. Eventually, however, the present chancellor's astonishing good luck will dribble to an end and he will be stabbed in the back – with svelteness, of course – by Michael Portillo.

HAWKS & HANDSAWS

John Smith will meander through another low-key year as Britain's Opposition leader and will (or will not) move towards some form of alliance with Wing-Commander Paddy Ashdown's Liberal Democrats. If he doesn't, the Tories stand a chance of stealing the next election just as they stole the last one.

Something unpleasant, painful and messy will happen to bossy Virginia Bottomley, the UK health secretary. I won't say what; it would ruin the fun.

Soccer's World Cup will be tremendously successful, with Norway beating Brazil 3-1 in the final. The success of the competition will lead millions of American sports fans to wonder why, all these years, they let themselves be fobbed off with such girl's-blouse sports as baseball and basketball.

It will be a good year for Prince Charles as more and more people come to appreciate the attraction of having a divorced heir to the British throne. What could be more *fin de siècle*, modern or sophisticated? (The divorce itself will come next year). Behind the scenes, Queen Elizabeth II will be informing her less-than-close relatives that the gravy train has departed and that the monarchy is being downsized while revelling secretly in the knowledge that she and her heirs are safe.

Correspondingly, the Church of England will stumble ever faster towards disestablishment and outer darkness.

The Grand National steeplechase will again be a fiasco.

People who hunt animals – big ones, small ones – will feel more and more like pariahs as revulsion at their activities becomes pronounced.

Newsdesks will realise that people are fed up with coverage of Russia and China. What people want most is about 30 years' silence from Russia and China while those two unfortunate countries ponder their mistakes and smarten up their acts. That is my fondest wish for 1994: that we hear nothing more from Moscow and Beijing until New Year's Day, 2024.